ip group
visionary ventures

For a future made possible by science.

IP GROUP PLC

ANNUAL REPORT & ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2022

REGISTRATION NUMBER: 04204490
STOCK CODE: IPO

CONTENTS.

Forward-looking statements

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

Throughout this Annual Report and Accounts, IP Group 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.

Ideas powered.

At IP Group, we understand science. We understand its impact today and its potential to shape the future.

With more than 20 years' experience evolving great ideas into world-changing businesses, we also understand that progress takes patience. That is why we choose partners with purpose, who, like us, are committed to impacting the world's greatest unmet needs.

Together, we accelerate the impact of science to transform ideas into impact, at scale. We see a future transformed by human ingenuity. And we look to make it happen by spotting the opportunities others miss.

We are one of the most active investors in university and other research-based companies in the world, with a proven track record in backing and nurturing science and technology-based businesses to deliver impact and returns. Since the Group was founded, IP Group and Parkwalk have backed over 500 companies whose compelling ideas, products and services will meaningfully contribute to a healthier, tech-enriched and regenerative future.

We aim to accelerate the impact of science for a better future.

IDEAS POWERED.

Impact potential.

We take a consistent and deliberate approach to making investments, aligned to our purpose and ethical investment framework.

Impact is in our DNA. We aim to be the leading value-add backer of impactful early-stage innovation, differentiated by our track record, access to innovation, risk appetite, flexibility, technical and commercial acumen, sector expertise and long-term partnership model. The Group invests in opportunities that offer a market-beating return by commercialising breakthrough technological innovations that will have a positive societal impact in our three thematic focus areas of regenerative future, healthier future and tech enriched future. To qualify for investment, opportunities must have a strong value proposition, defensible technical differentiation and a large market opportunity.

Our technical acumen and sector insight are differentiators that enable us to judge the value of early-stage innovation better than others.

Our investment teams are granted the flexibility to decide how best to distribute capital in the respective portfolios to optimise returns. Flexibility is a core strength. We can back companies with longer time to market than more time-limited venture funds. By not exclusively restricting ourselves to a specific stage, investment quantum or holding size, we can be opportunistic in pursuing opportunities to create value and impact where others cannot play.

We aim to initially hold sufficient equity to be an influential shareholder, and such that the proceeds of success will justify the resources we will dedicate to helping each company grow. We work closely with the companies we invest in and typically take a board seat, assisting with governance, strategic planning and many of the other practical elements of growing an early-stage venture. In particular, we believe that both technical and commercial talent are critical to success, so we aim to partner with and recruit highly talented management teams.

While the Group's permanent capital structure permits a long-term approach to investment, we seek to regularly realise cash gains from our portfolio. We maintain a proactive approach, typically working with portfolio company management teams and co-investors to build relationships with potential acquirers and anticipate attractive opportunities for company acquisition. We keep our holdings in any company under constant review, and may also divest before the end of the rapid-growth phase, when upcoming market/company growth expectations fall short of our benchmarks, when our proprietary expertise is no longer adding value and/or the company reaches a stage of maturity where our proprietary insight no longer gives us an advantage over the wider market in judging the prospects of the asset. Realisations can be made through progressive sales or in a single exit event.

Inspiring partners.

We form long-term partnerships with our companies, bringing them our:

- Deep technical expertise and access to networks
- Decades of experience nurturing and building high-growth businesses
- Access to capital
- Capability in executive search and development
- Long-term perspective
- Imagination and entrepreneurial outlook

International profile.

Our international footprint gives us access to a range of opportunities and provides valuable insight and resource to support our portfolio companies as they scale and grow.

- UK
- US
- Australia and New Zealand

Innovative people.

Our purpose drives a deep, intrinsic level of commitment from our team. We look to be a home for exceptional and innovative talent and have built a unique and attractive culture to support our goals.

Read about our **people and culture** on **pages 58 to 65**

2022 HIGHLIGHTS.

"

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

Greg Smith
Chief Executive Officer

Significant progress in key themes & companies

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

Delivering evolved strategy

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

Well financed & resilient portfolio

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

Post period-end update

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

2022 HIGHLIGHTS.

Impact

500+
Companies formed and supported since 2001

10,000+
Jobs created since 2001

£93.5m
Invested in science-based businesses during year

£1.0bn
Raised by portfolio companies during year

6
Aligned with UN Sustainable Development Goals

World First
Fusion result in 2022

Summary financials

Net Asset Value (NAV)
£1,376.1m
2021: £1,738.1m

(Loss)/profit
(£344.5m) loss
2021: £449.3m profit

Net Asset Value (NAV) per share
132.9pps
2021: 167.0pps

Profit excluding ONT[1]
£25.2m profit
2021: £202.1m profit

Total Portfolio[1]
£1,258.5m
2021: £1,507.5m

Net portfolio (losses)/gains[1]
(£309.1m) loss
2021: £499.2m gain

1 Alternative performance measure. See note 29 for definition and reconciliation to IFRS primary statements.

2022 HIGHLIGHTS.

Summary financials

Gross cash and deposits

£241.5m

FY 2021: £321.9m

Realisations

£28.1m

FY 2021: £213.9m

Portfolio investment[1]

£93.5m

FY 2021: £106.8m

Total dividend[2]

1.26pps

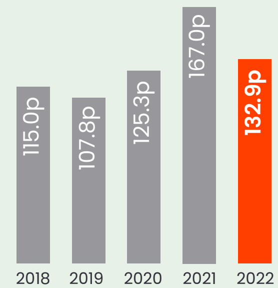
FY 2021: 1.20pps

[1] Alternative performance measure. See note 29 for definition and reconciliation to IFRS primary statements.

[2] Total dividend for 2022 subject to approval of final dividend of 0.76pps at the Group's 2023 AGM

NAV/share p[1]

Net Assets divided by the number of outstanding shares in issue. A useful measure to compare to the Group's share price.

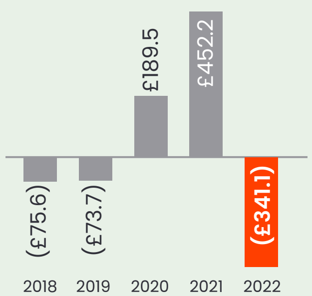


Link to strategy

Link to remuneration
Yes

Return on NAV £[1]

Profit for the year excluding share-based payment charges. Shows a summary of the income statement gains and losses that directly impact NAV.



Link to strategy

Link to remuneration
Yes

INTELLIGENT PORTFOLIO.

Portfolio value

£1.3bn

Net Asset Value

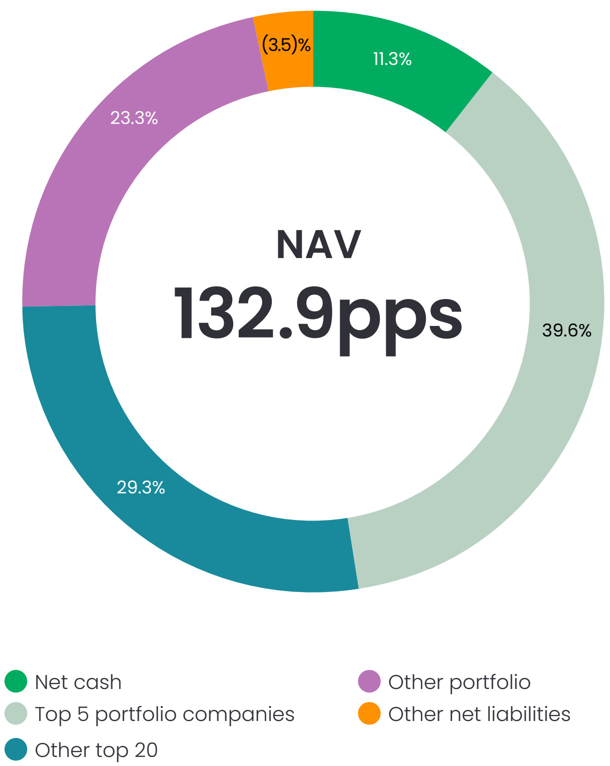
£1.4bn **132.9p** per share

Portfolio focus

75% of portfolio in top 20 holdings

Portfolio analysis

What's in a share?



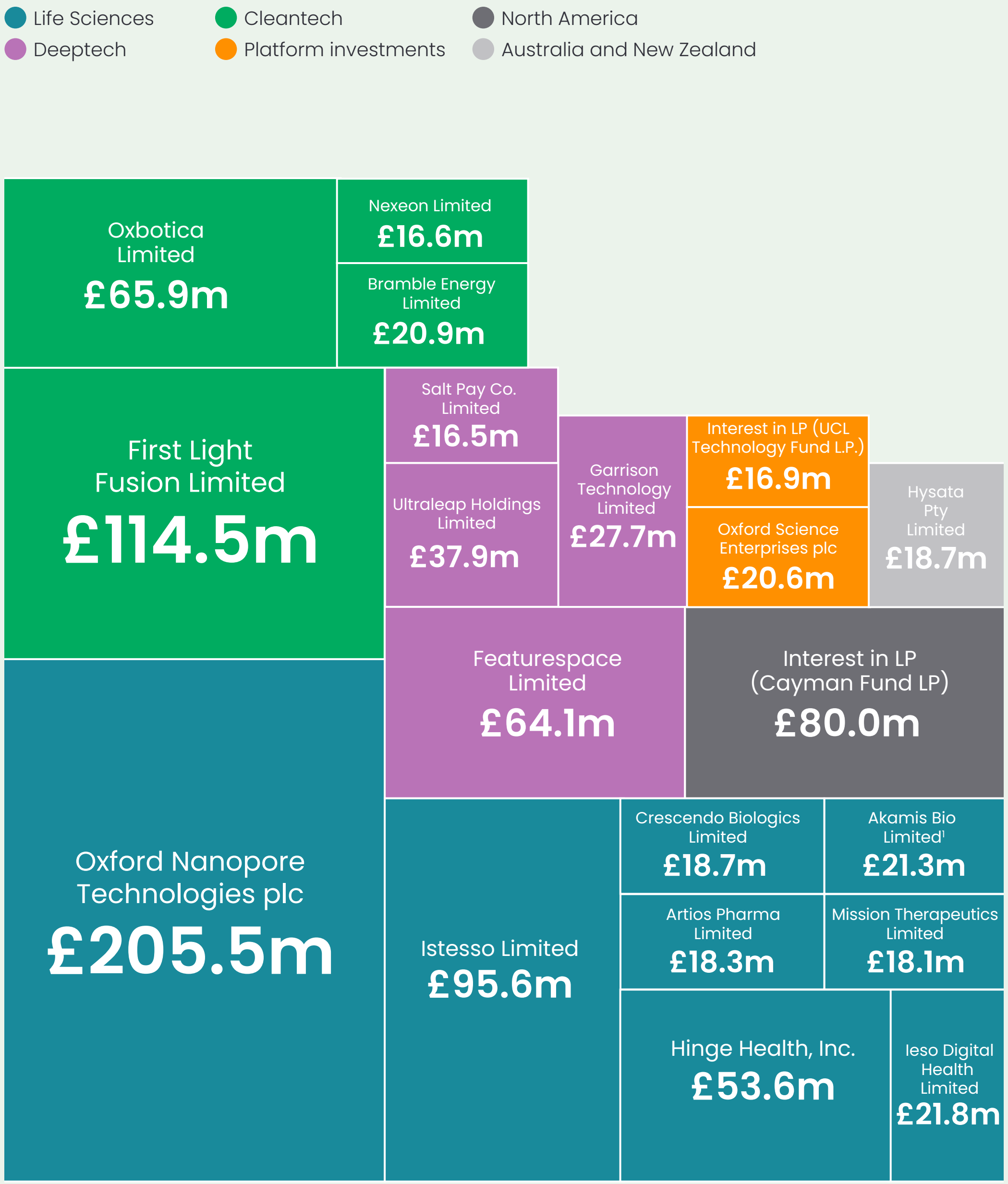
Portfolio breakdown

	Number of companies	Fair value £	Fair value movement/ return on opening portfolio in 2022 £	%
Healthier future: Oxford Nanopore	1	£205.5m	(£369.7m)	(65%)
Healthier future: Life Sciences	33	£390.8m	(£41.8m)	(10%)
Tech-enriched future: Deeptech	28	£201.0m	(£18.0m)	(8%)
Regenerative future: Kiko Ventures (Cleantech)	15	£243.8m	£114.6m	111%
North America	1	£87.1m	£4.2m	5%
Australia and New Zealand	13	£42.8m	£10.8m	43%
Platform Investments	4	£43.6m	(£4.3m)	(9%)
Organic and *de minimis*[1]	–	£17.0m	(£2.5m)	(25%)
Total net	**95**	**£1,231.6m**	**(£306.7m)**	**(21%)**
Attributable to third parties	–	£26.9m	(£2.4m)	(8%)
Total gross	**95**	**£1,258.5m**	**(£309.1m)**	**(21%)**

[1] *De minimis* investments are those in which the Group's holding is valued at less than £0.5m and the Group has not invested in for over two years. Organic investments are companies in which the Group acquired its holding via the relationship Touchstone had with Imperial College's Technology Transfer Office.

INTELLIGENT PORTFOLIO.

Top 20 investments by fair value



[1] Previously called PsiOxus Therapeutics Limited

Priority companies.

We place meaningful focus on a dynamic list of companies which we believe can be material in the context of overall Group performance and underpin our self-sustaining model. These include:

Oxford Nanopore Technologies: The world's first and only nanopore DNA sequencing platform, which is uniquely scalable from pocket-sized formats through to ultra-high throughput devices, enabling the genetic analysis of any living thing, by any person, in any environment. The technology offers real-time data analysis for rapid, dynamic insights and has played a key role in the COVID-19 pandemic, having been used for rapid distributed sequencing of the SARS-CoV-2 virus in public health systems worldwide.

First Light Fusion: Inertial confinement approach to fusion, aiming to create the extreme temperatures and pressures required for fusion by compressing fuel using a hypervelocity projectile. Fusion power is safe, clean, and limitless with the potential to transform the world's energy system. Achieved validated world-first fusion event in 2022.

Istesso: Immunometabolism drug discovery and development aimed at reprogramming metabolism to treat autoimmune disease. Commenced Phase 2b trial for its lead drug MBS2320 in rheumatoid arthritis in 2022.

Featurespace: Machine learning solutions to prevent fraud and financial crime. A well-developed business, with enterprise grade solutions delivering significant revenue.

Hinge Health: The world's first digital clinic for back and joint pain with an expanding customer base.

Garrison Technology: Anti-malware solutions for enterprise cyber defences. Recently launched new Ultra cloud-based delivery model.

Pulmocide: Treatment of respiratory diseases through a novel approach to inhaled medicines. Currently entering Phase 3 trials.

Oxbotica: Global leader in autonomous vehicle software based on artificial intelligence engineering, machine learning and modular software design.

Beyond this list, we also focus on 11 additional companies that we believe have the potential to become priority companies over the next few years.

INVESTMENT CASE.

Impact.

Our purpose focuses us on impact. We are committed to backing and supporting businesses that will meaningfully contribute to a healthier, tech-enriched, regenerative future and create value.

- We have invested more than £1.2bn in science-based businesses.
- The companies we have backed have created more than 10,000 jobs.
- Our purpose and thematic focus areas align us with six of the UN Sustainable Development Goals.

Read about **meaningful impact** on pages 46 to 71

Portfolio.

We provide differentiated access to impactful deal flow and the best IP and ideas from our networks, universities, and research institutes. This in turn offers investors exposure to an exciting portfolio of high-growth companies operating within the areas of life sciences, deeptech and cleantech.

- We have formed and supported over 500 companies since 2001.
- We have created three unicorns (i.e. with a valuation of over $1bn) and have further companies in the portfolio with the potential to scale at >£1bn in value.

Read about **our portfolio** on pages 23 to 37

Expertise.

Our investment teams are experts in their fields with a deep understanding of science and technology as well as decades of experience in identifying, nurturing, and exiting unique high-growth businesses. We can mitigate technical risk through our technical due diligence capability and proprietary knowledge.

- We are the company behind some of the UKs most exciting technology companies, including Oxford Nanopore and First Light Fusion.

INVESTMENT CASE.

Track record.

We have a track record built over more than 20 years of turning great ideas into world-changing businesses and creating value.

- £542m cash realised from the portfolio in last five years, £64m returned to shareholders via dividends and share buy-backs.

Permanent capital structure.

Investing from our balance sheet is a significant advantage compared to fixed-life funds. It enables us to co-found companies, 'follow our money' through subsequent funding rounds, and realise value at the most appropriate time. We know that supporting early-stage science takes time and our structure allows us to be flexible and patient.

- We are the most active investor in the UK in our sector and the second most active in Europe.

International relationships.

We are an international group with a network of relationships with advisors, investors, co-investors, and partners built up over many years with a focus on the UK, North America, Australia, New Zealand and Greater China.

- We founded IP Inc. in the US and IP Group Australia, which has partnerships with all the leading universities in the region.

CHAIRMAN'S STATEMENT.

"We enter 2023 with a clear plan of action to build on past portfolio successes through investing in what is a maturing and exciting range of investment opportunities.

Sir Douglas Flint
Chairman

IP Group's performance and the resilience of its portfolio companies in 2022 was impressive given the degree to which unanticipated events dominated the year.

Our agility and willingness to adjust to market conditions speaks volumes for the strength of our executive leadership during challenging times. 2022 turned out to be a year in which unanticipated and unexpected events dominated, from the geopolitical to the economic, from financial market volatility and correction to pandemic response.

War in Europe, heightened geopolitical tension, supply chain disruption and reconfiguration, increased inflationary expectations, accelerating interest rate rises, energy and cost-of-living crises, unprecedented political turmoil in the UK, fragile capital markets and inconsistent COVID responses all impacted. Of most direct relevance to IP Group was the dramatic valuation decline of technology driven listed companies whose growth prospects post-pandemic were reappraised downwards, with that decline amplified by the impact of significantly higher interest rates applied to discount future returns. The aggregate of all these conditions contributed to a significant tightening of risk appetite amongst investors and it was against this backdrop that we navigated the year just ended.

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

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

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

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

CHAIRMAN'S STATEMENT.

Financial Performance

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

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

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

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

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

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

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

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

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

Board changes

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

Outlook

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

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

Sir Douglas Flint
Chairman
7 March 2023

CEO REVIEW.

> The work that the leadership team has carried out over the last twelve months has resulted in a clearly articulated strategy to deliver value, which is built on five pillars - value creation, impact, insight and access, distinctive reputation and exceptional talent.
>
> **Greg Smith**
> **CEO**

In my first full year as Chief Executive Officer, I am pleased to report that the Group has made excellent progress in its purpose of accelerating the impact of science for a better future. IP Group, including Parkwalk, is one of the largest investors in university and other research-based companies in the world, backing science and innovation that shapes our future. Having already helped create three unicorns (Oxford Nanopore, Ceres Power, Hinge Health), the Group is well placed to support the 'science superpower' agenda and we aim to replicate our success to date by growing and supporting more businesses to values in excess of $1bn.

This is being done through an increased focus of our capital and resource on thematic areas where we have experienced and specialist investment teams with track record, a maturing portfolio and a clearly articulated approach to sourcing, growing, supporting and exiting businesses. The Group is currently focused on businesses and opportunities that contribute to a healthier future (biotech and healthcare), a tech-enriched future (deeptech) and a regenerative future (cleantech).

The work that the leadership team has carried out over the last twelve months has resulted in a clearly articulated strategy to deliver value, which is built on five pillars - value creation, impact, insight and access, distinctive reputation and exceptional talent, which are described in more detail on page 18. Today, in line with this strategy, we launch our new brand identity which more accurately reflects who and what our business is today. By articulating our clear sense of purpose, expertise and track record, we aim to differentiate ourselves for investors, founders and co-funders.

As Douglas has described on page 10, and as highlighted in our most recent half-yearly report, 2022 saw a high level of macro uncertainty with rising inflation and interest rates, fears of recession and ongoing geopolitical concerns, greatly exacerbated by Russia's invasion of Ukraine. Like others, the Group is not immune to geopolitical events and the resultant volatile equity markets, and our public portfolio was impacted by the reaction of global stock markets, particularly by the rotation out of growth and technology stocks. This impacted both the Group's share price as well as that of Oxford Nanopore and our other quoted investments.

IP Group was quick to respond to the challenging market environment, securing a private market debt issue to provide additional funding flexibility, while lowering the level of capital allocated for investment into the portfolio, and the Group ended the year with gross cash and deposits of £241.5m.

CEO REVIEW.

This financial strength enabled us to continue to invest into our leading companies over the period as well as continue to return a proportion of all cash exits to shareholders. This year, cash returns to shareholders totalled £20.3m, more than half of the £28.1m generated from portfolio realisations.

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

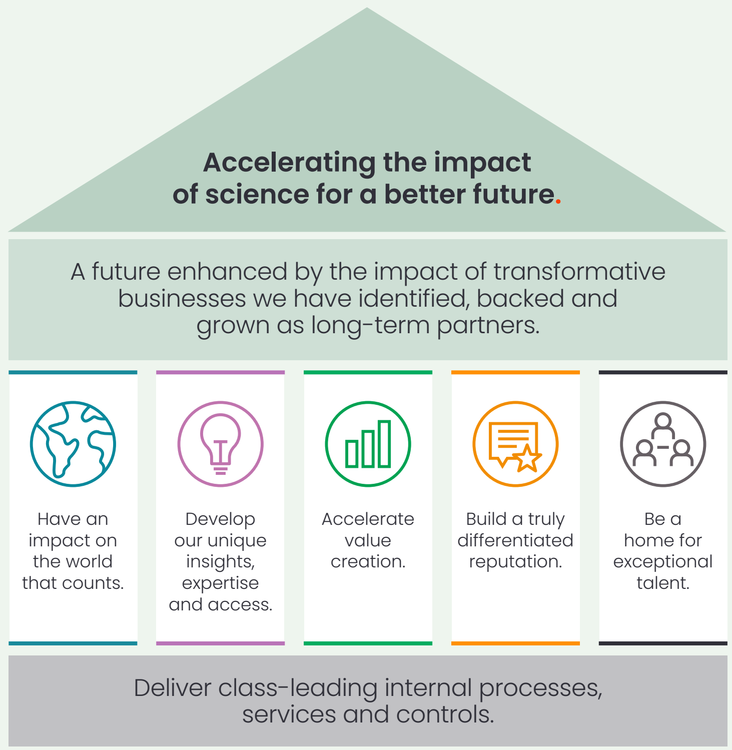
It is also important to note that our portfolio remains well funded. Despite the more difficult portfolio company funding environment in 2022, our portfolio raised financing at similar levels to those seen in 2020 and higher than years before that. Some fundings were, however, delayed or took longer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

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

Strategic objective

Build on our portfolio, track record and talent to play a leading role in tackling some of the world's most significant unmet needs. Through this positive contribution, deliver market-leading returns on our portfolio and, as a result, deliver exceptional value for our shareholders and other stakeholders.

Strategy pillars



Read about **our strategy** on **pages 18 to 20**

BUSINESS MODEL.

01 Inputs and resources

Our self-sustaining business model, coupled with our strategy, enables us to systematically build businesses to maximise long-term financial and societal return from our capital and expertise.

We identify, co-found, or create companies based on fundamental scientific innovation and provide capital and expertise in return for a shareholding in the company. We work with the teams at our companies to grow the value of our holding over time, before selling down in whole or over a period to generate funds that enable us to both re-invest in the portfolio and make returns to shareholders.

The science and innovation on which our companies are based has often been generated at one or more of the world's leading universities or research institutions. Our model and expertise de-risks investment in early-stage companies for partner capital providers.

Resources

Intellectual capital

We work with some of the world's best scientists and entrepreneurs in our chosen territories and thematic focus areas.

Financial capital

We combine our balance sheet capital with third-party capital to accelerate the progress of promising companies.

Human capital

We look to be a home for exceptional talent – attracting the best people to IP Group and our portfolio businesses.

02 Investment life cycle

We take a consistent and deliberate approach to making investments, aligned to our purpose and ethical investment framework. We focus capital, resources and expertise on investments that can make a positive difference and where we can optimise returns through leveraging our existing strengths and adding value to the growth journey.

START UP

When investing in start-up opportunities, our specialists work in partnership to identify promising research and help create and develop business start-ups. Time and a limited level of capital are then deployed by IP Group, often alongside grant funding, to develop ideas to early commercial and technical validation using stringent milestones. As incubation opportunities show signs of traction, an investment case is developed for seed funding to accelerate technical and commercial developments.

SCALE-UP

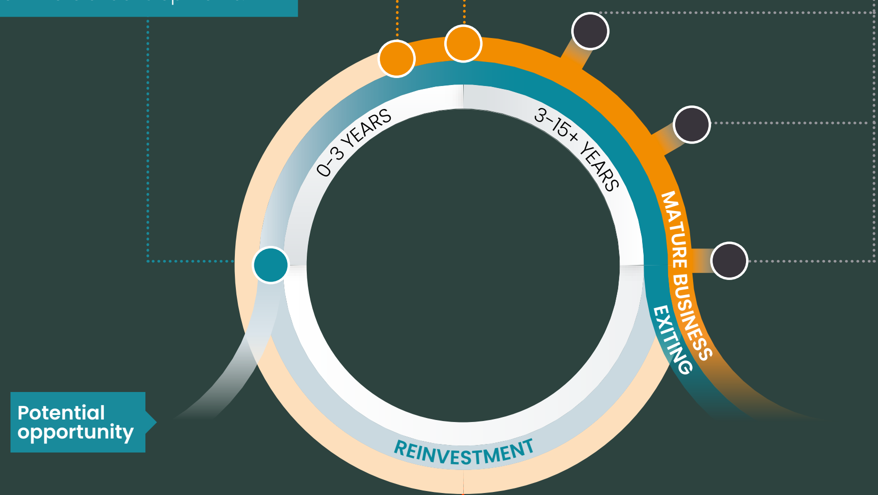
As companies mature, we proactively source co-investment. We continue to take an active role in company development, commonly through continued Board presence and by working directly with the management team, to help grow value over time. Resources and capital are focused on those opportunities that are the most attractive from a risk/reward perspective.

PRIORITY COMPANIES

We focus resource on companies which we believe have the potential to scale at >£1bn in value in the next three to five years. Additional resources and capital are allocated to these opportunities to accelerate development.

EXIT

We hold investments until they mature so that we can maximise the return we generate. Investing from our balance sheet enables us to be patient and realise value at the most appropriate time.



RE-INVESTMENT AND RETURNS TO SHAREHOLDERS

We re-invest realised funds into new opportunities and growth of our priority companies alongside returns to shareholders.

BUSINESS MODEL.

03 Our key differentiators

Purposeful thematic focus
Our purpose focuses us on impact. We are focused on backing and supporting businesses in our three investment themes where we can add value through our expertise and experience.

Access to unique opportunities
We are a global group with a strong networks and relationships with world-leading academic research institutions, giving us differentiated access to an exciting portfolio of high growth companies.

Expert teams
We aim to be a home for exceptional and highly motivated talent. Our investment teams are experts in their fields with a deep understanding of science and technology as well as decades of experience in identifying, nurturing, and exiting unique high-growth businesses.

Track record
We have a track record built over more than 20 years of turning great ideas into world-changing businesses and creating value.

Permanent capital structure
Investing from our balance sheet is a significant advantage, enabling us to be flexible and patient. This allows us to co-found and build companies and realise value at the most appropriate time.

Imagination and flair
We are entrepreneurs at heart, bringing imagination and flair to supporting our portfolio companies through all stages of their development.

04 Outcomes with impact

Addressing the world's greatest unmet challenges

- Genetic sequency in any environment – Oxford Nanopore's nanopore DNA sequencing platform
- Treatment of respiratory diseases – Pulmocide's targeted delivery through inhaled medicine
- Preventing fraud and financial crime – Featurespace's AI (Artificial Intelligence) solutions
- Clean energy to address climate change – First Light Fusion's inertial confinement approach to achieving fusion

Economic growth and innovation

500+
companies

9
new portfolio investments in 2022

10,000+
jobs

Financial returns

£542m
cash realised from the portfolio over five years

£64m
returned to shareholders via dividends and share buy-backs

ESG

- 87% reduction in operational carbon emissions since 2019
- BREEAM "outstanding" headquarters
- Signatories to Investing in Women Code

MARKET ENVIRONMENT.

Read about **our strategy** on **pages 18 to 20**

Whilst Covid-19 remained a feature of 2022 for some markets, most notably Greater China, for much of the rest of the world the impact of the pandemic shifted to its next phase, with disruption in global supply chains and labour markets giving rise to sustained inflationary pressure to a degree not seen since the early 1980s. Events in Ukraine exacerbated this picture, with natural gas prices in Europe quadrupling by August. The resulting monetary policy response has seen a sharp shift away from a near-zero interest rate environment, with the UK base rate standing at 3.5% by the end of the year.

The majority of the public market impact of these macroeconomic challenges was felt in the first half of the year, with the Nasdaq index down by 29.5% to the end of June followed by a further 4% fall in the second half of the year. Market data on private company valuations in 2022 was mixed, with Pitchbook's Q4 2022 valuation surveys indicating continued growth in valuations from 2021 levels in early-stage companies, but flagging declines in late-stage private valuations, particularly in the second half of the year.

2022 saw continued evidence of recognition amongst policymakers of the pivotal role that science-based innovation has to play in providing solutions to the major challenges facing the world. The US government announced the Inflation Reduction Act, whose aims include accelerating commercialisation of regenerative technologies and a $280m funding package for nuclear fusion. The UK government has highlighted its intention to increase R&D funding to £20bn per year by 2024/25, and a policy focus around pension fund and regulatory reforms aimed at unlocking investment into the innovation ecosystem. We continue to believe that the Group remains well placed to play a key role in delivering on this agenda.

Thematic business sectors

Our three thematic focus areas are aligned with significant global megatrends.

In our Life Sciences team, we are working towards a healthier future with a view to curing and preventing disease rather than simply treating symptoms and building healthier – rather than just longer – lives. The three pillars of our approach are driven by megatrends in life sciences development: reprogramming cells to change their behaviour from the diseased mode to healthy mode; reconditioning tissues to improve response to existing therapies; and redirecting patient behaviour to reduce risk.

Read about Life Sciences on pages 26 to 28

MARKET ENVIRONMENT.

Deeptech

The Deeptech team focuses investment across four technology subsectors underpinned by global societal need and macroeconomic trends. Applied AI capitalises on the use of a new computing paradigm (artificial intelligence) to solve problems and create opportunities in areas where traditional software approaches have proven insufficient. Next generation networks will enable network operators and their wider communities to deliver on the promise of super-fast, high bandwidth and ultra-reliable networks critical to the delivery of everything from edge computing to autonomous vehicles. Step changes in the human-machine interface through the mainstreaming of AR, VR and XR (augmented, virtual and immersive reality) will unlock vast amounts of value from humanity's combined data and future computing solutions will be needed to meet intense demand for solving complex problems.

Read about **Deeptech** on pages 29 to 31

Cleantech

Our Cleantech platform, Kiko Ventures, is investing in assets that address the global climate challenge, targeting breakthrough innovators that are creating scalable climate technology solutions. The urgent nature of climate change and the transition to a low carbon society is expected to lead to stronger demand from clients for fundraising and investing solutions that include sustainable finance. Our portfolio strongly aligns with climate-related opportunities associated with energy transformation strategies, energy reduction strategies and water reduction strategies, all of which will become increasingly prevalent in building climate-resilient economies. We expect to see these opportunities increase with the increasing proliferation of corporate decarbonisation strategies and overall societal decarbonisation. Focus areas include carbon-free fuels, mobility and transport, heating and cooling, and clean power generation.

Read about **Cleantech** on pages 32 to 33

Competition

We have three main sources of competition – for innovation, capital and talent.

We compete and work 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 for access to great innovation with significant commercial potential. In seeking opportunities, we benefit from relationships built over many years and our track record of success. Often, we will choose to collaborate on specific opportunities rather than compete. However, investing from our balance sheet often gives us competitive advantage over alternative investors. Each portfolio company also faces competition in its chosen market, or they are trying to build a new or emerging market or disrupt an existing market with a paradigm shift in technology.

The Group and our portfolio companies compete in the capital markets for the funds required to develop innovations into viable and compelling businesses. Earlier stage and development risk capital is a narrow 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.

Finally, we and our portfolio companies face increasing competition for the talent required to make our business model work. Fulfilling our ambition is entirely dependent on the quality of our people and we rely heavily on the calibre 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. Our purpose positively differentiates us in this area, as does our strong and supportive culture.

OUR STRATEGY.

Strategic objective

Our long-term vision is to build on our portfolio, track record and talent to play a leading role in tackling some of the world's most significant unmet needs. Through this positive contribution, we aim to deliver market-leading returns on our portfolio and, as a result, deliver exceptional value for our shareholders and other stakeholders.

Read about our **business model** on **pages 14 to 15**

2022 strategic progress

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

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

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

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

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

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

The Group, through its sector and geographic teams, will drive short- to medium-term returns via focusing resource and, where appropriate, capital onto fewer more developed existing 'priority' portfolio companies that have the potential to disproportionately impact our returns and underpin our self-sustaining model. We will also continue to curate a differentiated pipeline of future opportunities, using our combination of deep science expertise, networks and investment track

OUR STRATEGY.

record to source and de-risk investments in early-stage companies. We will continue to be an active and influential shareholder, with Board presence on most of our most valuable companies.

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

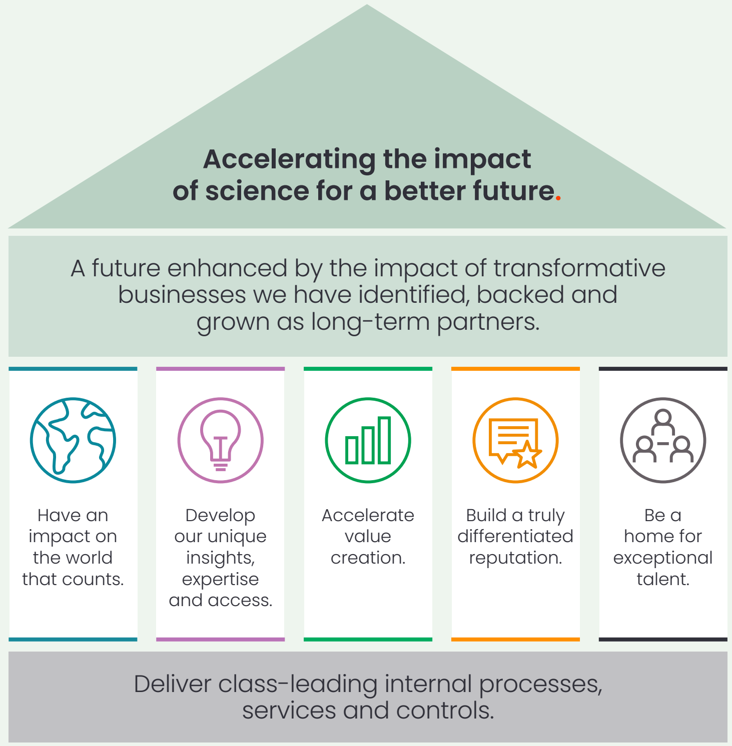
The quality of our team, and having the right combination of scientific rigour, venture experience and public market skills, is central to our ability to deliver. The talent and experience we have in the business, and that we aim to attract, will help drive higher returns.

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

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

Strategy pillars

During 2022 we reviewed our strategy to create a framework that will better support us to meet our long-term goals. The framework has five pillars:



OUR STRATEGY.

Strategy pillars		Link to KPIs	Objectives for 2023
Have an impact on the world that counts	• Ensure genuine impact is a core component of our processes • Focus on thematic areas driven by the intersection of commercial opportunity, societal need and IP Group's distinctive strengths • Develop industry-leading impact measurement and reporting • Maintain and develop ethical investment framework and approach	03 05 08	• Maintain or improve current outperforming position with rating agencies against sector benchmarks • Further develop and apply impact measurement framework, including portfolio company specific KPIs • Convene and/or participate in impact and sustainable investment industry initiatives
Develop our unique insight, expertise and access	• Build significant knowledge, presence, and investments in thematic areas, maintaining deep relationships with innovators, institutions and capital providers • Continually develop aligned Group, sector and geographic investment strategies • Capture, develop and share institutional insight and knowledge	05 08	• Maintain deal flow of distinctive new opportunities • Build out sector insight, expertise and presence, e.g. through Kiko • Efficient capture, development and sharing of best practice across and among teams
Accelerate value creation	• Drive short- to medium- term returns through priority portfolio companies that disproportionately impact returns and underpin the business model • Develop and apply capital allocation framework across sectors and geographies, maintaining financial strength through balancing investment, realisations and shareholder returns • Further develop access to capital across the funding spectrum • Explore bold ways of creating value	01 02 03 04 06 07	• Delivery of priority company milestones • Narrow discount between share price and NAV/share • Increase managed and advised third-party capital • Deliver investment returns and portfolio realisations
Build a truly distinctive reputation	• Develop and maintain a distinctive and authentic brand for shareholders, founders and co-funders • Establish IP Group as an opinion leader in key ecosystems, including through sub-brands • Actively promote our financial and impact track record	05 06 09	• Successfully launch new Group brand across relevant channels • Deliver extensive IR programme including flagship science event
Be a home for exceptional talent	• Develop, nurture and grow our exceptional people, building and maintaining the quality of our relatively small team • Maintain an engaging, motivating employee offer that demonstrates our uniqueness • Strongly align remuneration with the achievement of our vision • Build our culture and values, celebrating diversity, inclusion, high-challenge/high-support and regenerating success	08 09	• Source, retain and develop talent in key roles • Update new values • Deliver 2023 Inclusion and Diversity Project (IDP) masterplan objectives • Maintain high team engagement, including through IP Connect and 'Employee Executives'

KPIs KEY

- 01 NAV/share
- 02 Return on NAV
- 03 Total portfolio
- 04 % return on portfolio
- 05 Portfolio investment
- 06 Proceeds from sale of equity investments and debt investments
- 07 Net overheads %
- 08 Number of new portfolio investments
- 09 Employee engagement and diversity

Read about our KPIs on pages 44 to 45

BUSINESS PERFORMANCE.

Overview of business performance including thematic focus and holdings

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

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

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

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

BUSINESS PERFORMANCE.

Third-party fund management

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

Shareholder value creation, capital allocation and returns

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

The Board remains committed to delivering a regular dividend income, which is intended to comprise a relatively small component of total shareholder return and will also continue to consider share buyback programmes and other capital return tools as realisations are generated from our portfolio.

Accordingly, the Board has recommended a final dividend of 0.76p per share (2021: 0.72pps), to be approved at the Company's forthcoming AGM, which would represent a total dividend for 2022 of 1.26p (2021: 1.20pps).

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

Outlook

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

Greg Smith
Chief Executive Officer
7 March 2023

PORTFOLIO REVIEW.

Overview

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

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

Fair value movements

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

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

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

Gains	£m
First Light Fusion Limited	57.3
Oxbotica Limited	45.4
Nexeon Limited	8.4
Hysata Pty Ltd	8.4
Akamis Bio Limited1	5.7
Other quoted	0.3
Other private	59.5
Total	**185.0**

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

1 Previously called PsiOxus Therapeutics Limited

Investments and realisations

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

Largest investments and realisations by portfolio company:

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

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

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

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

Number of Investments

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

PORTFOLIO REVIEW.

Co-investment analysis

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

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

1 Reflects primary investment only; during 2022 the Group invested £3.7m via secondary purchase of shares (2021: £1.1m).

2 Includes Parkwalk Advisors and other funds managed by IP Group.

Portfolio analysis by sector

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

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

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

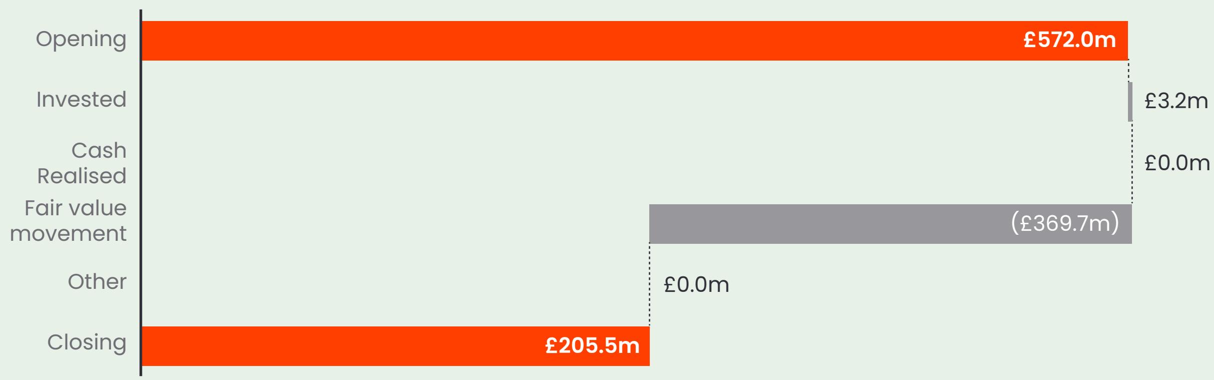
PORTFOLIO REVIEW.
HEALTHIER FUTURE: OXFORD NANOPORE

Greg Smith
Chief Executive Officer

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

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

Oxford Nanopore



PORTFOLIO REVIEW.
HEALTHIER FUTURE: LIFE SCIENCES

Dr Sam Williams
Managing Partner, Life Sciences

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

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

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

2 Previously called PsiOxus Therapeutics Limited.

PORTFOLIO REVIEW.

HEALTHIER FUTURE: LIFE SCIENCES

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

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

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

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

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

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

PORTFOLIO REVIEW.

HEALTHIER FUTURE: LIFE SCIENCES

The below table summarises the Life Sciences therapeutics portfolio by stage of lead programme, split by therapeutic area.

THERAPEUTICS	IP GROUP VALUE £M*	COMPANY	PRE-CLINICAL	PHASE 1	PHASE 2	PHASE 3
Oncology	18.3	Artios Pharma[1]				
	18.7	Crescendo Biologics				
	8.3	Storm Therapeutics				
	21.2	Akamis Bio				
	12.3	Iksuda Therapeutics				
	16.1	Microbiotica				
Inflammation	95.6	Istesso				
	18.1	Mission Therapeutics[2]				
	15.9	Oxular[3]				
	2.5	Kynos				
Other	14.7	Pulmocide				
	7.8	Enterprise Therapeutics				

* Based on valuation of IP Group's stake in company at 31/12/22, including debt where applicable.
1 Artios announced the initiation of Phase 2 trial in Feb 2023.
2 Mission Therapeutics announced the completion of Phase 1 trial in Jan 2023.
3 Oxular announced the acceptance of IND in Jan 2023.

Life Sciences portfolio

PORTFOLIO REVIEW.
TECH-ENRICHED FUTURE: DEEPTECH

Mark Reilly
Managing Partner, Technology

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

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

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

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

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

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

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

PORTFOLIO REVIEW.

TECH-ENRICHED FUTURE: DEEPTECH

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

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

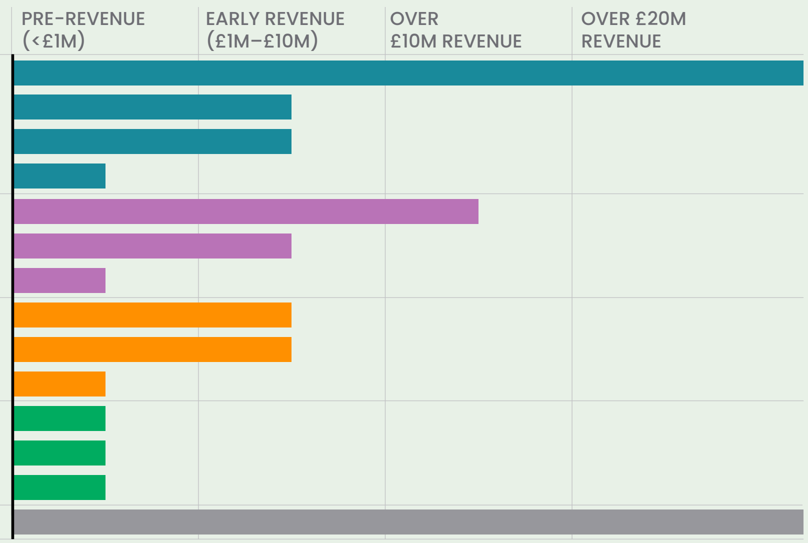
Other major highlights in the portfolio in 2022 included the sale of University College London spin-out Re:Infer. This company, which uses machine learning technology to interpret massive volumes of conversational data and identify efficiencies through automating processes, was sold to the global market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

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

PORTFOLIO REVIEW.
TECH-ENRICHED FUTURE: DEEPTECH

The below table summarises a selection of the larger investments in the Deeptech portfolio by size of revenues, split by sub-sector.

TECH-ENRICHED FUTURE	IP GROUP VALUE £M	COMPANY
Applied AI	64.1	Featurespace
	5.5	Diffblue
	3.1	Navenio
	1.5	Monolith
Next Generation Networks	27.7	Garrison
	8.5	Accelercomm
	0.8	Quantum Dice
Human Machine Interface	37.9	Ultraleap
	2.0	Slamoore Slamcore
	4.6	Audioscenic
Future Compute	3.9	Quantum Motion
	3.5	Intrinsic Semiconductors Technologies
	1.3	Lumai
Other	16.5	Saltpay



* Based on valuation of IP Group's stake in company at 31/12/22, including debt where applicable.
1 Artios announced the initiation of Phase 2 trial in Feb 2023.
2 Mission Therapeutics announced the completion of Phase 1 trial in Jan 2023.
3 Oxular announced the acceptance of IND in Jan 2023.

Deeptech portfolio

PORTFOLIO REVIEW.
REGENERATIVE FUTURE: KIKO VENTURES (CLEANTECH)

From Left to right:

Robert Trezona, Arne Morteani, Jamie Vollbracht
Founding Partners, Kiko Ventures.

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

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

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

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

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

PORTFOLIO REVIEW.

REGENERATIVE FUTURE: KIKO VENTURES (CLEANTECH)

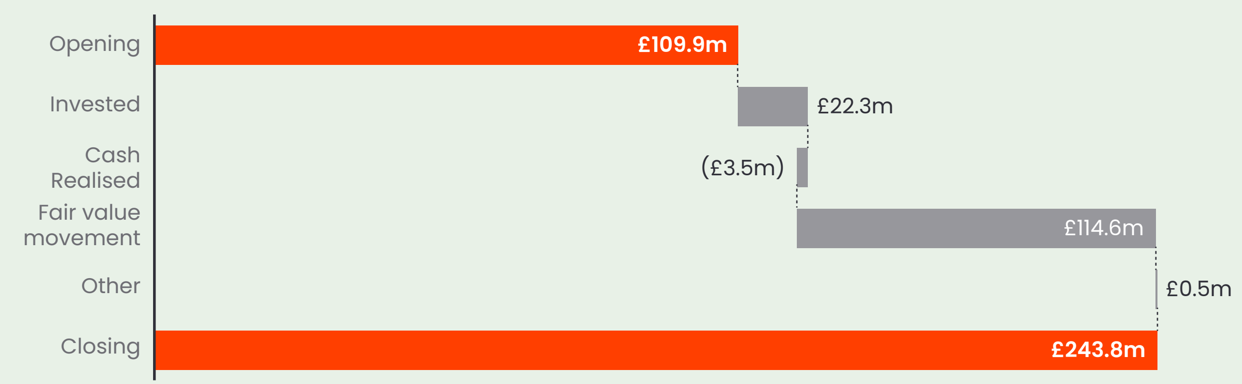
In April, First Light Fusion announced that it had achieved fusion, the first time that the reaction has been demonstrated using projectile-based inertial confinement. First Light achieved their result having spent less than £45m, and with a rate of performance improvement faster than any other fusion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

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

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

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

Kiko Ventures portfolio



PORTFOLIO REVIEW.
NORTH AMERICA

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

The developments within Longview Innovation's portfolio include:

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

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

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

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

North America portfolio

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

PORTFOLIO REVIEW.
AUSTRALIA AND NEW ZEALAND

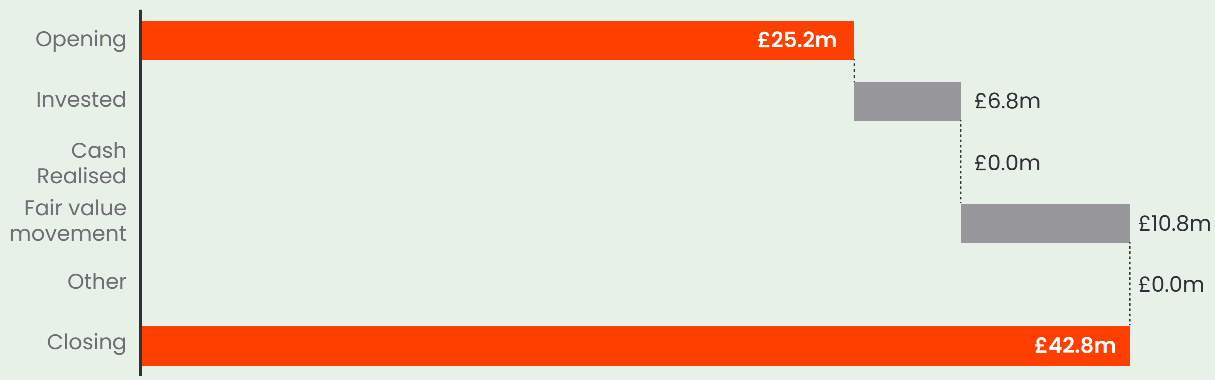
Michael Molinari
Managing Director, IP Group Australia

The ANZ portfolio now stands at 13 portfolio companies with an active pipeline of prospective investments, with a number achieving significant operational and financial milestones.

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

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

Australia and New Zealand portfolio



PORTFOLIO REVIEW.
PLATFORM INVESTMENTS

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

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

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

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

PORTFOLIO REVIEW.
THIRD-PARTY FUND MANAGEMENT

Moray Wright
CEO, Parkwalk Advisors

Parkwalk, the Group's specialist EIS fund management subsidiary, now has assets under management of £477m (2021: £388m) including alumni funds managed in conjunction with the universities of Oxford, Cambridge, Bristol, and Imperial College London.

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

Parkwalk Advisors

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

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

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

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

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

Australia

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

Greater China

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

CFOO REVIEW.

"

A strong financial position, with £242m of gross cash, £60m of undrawn debt and a further £229m of listed securities giving total potential liquidity of over £0.5bn. Delighted to secure a new relationship with Phoenix Group as long-term capital partners.

David Baynes
CFOO

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

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Financial results

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

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

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

CFOO REVIEW.

Consolidated statement of comprehensive income

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

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

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

Net portfolio gains/(losses) consist primarily of realised and unrealised fair value gains and losses from the Group's equity and debt holdings in spin-out businesses, which are analysed in detail in the portfolio analysis from page 23.

Net overheads

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

CFOO REVIEW.

Other income

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

Other central administrative expenses

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

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

Other income statement items

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

Carried interest plan charge

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

Consolidated statement of financial position

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

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

The composition of, and movements in, the Group's portfolio are described in the portfolio review from page 23.

CFOO REVIEW.

Portfolio valuations

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

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

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

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

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

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

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

Other assets

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

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

CFOO REVIEW.

Borrowings

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

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

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

Cash and deposits

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

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

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

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

CFOO REVIEW.

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

Dividend

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

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

Taxation

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

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

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

Alternative Performance Measures ("APMs")

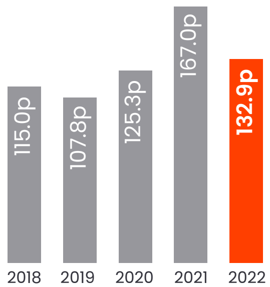
The Group discloses alternative performance measures, such as NAV per share and Return on NAV, in this Annual Report. The Directors believe that these APMs assist in providing additional useful information on the underlying trends, performance, and position of the Group. Further information on APMs utilised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

KEY PERFORMANCE INDICATORS.

Our KPIs measure performance against our strategy.

01 NAV/share p[1]

Net Assets divided by the number of outstanding shares in issue. A useful measure to compare to the Group's share price.

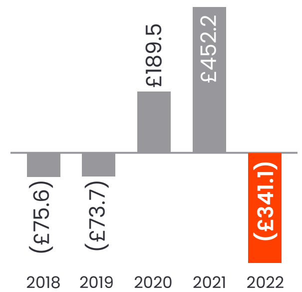


Link to strategy

Link to remuneration
Yes

02 Return on NAV £[1]

Profit for the year excluding share-based payment charges. Shows a summary of the income statement gains and losses that directly impact NAV.

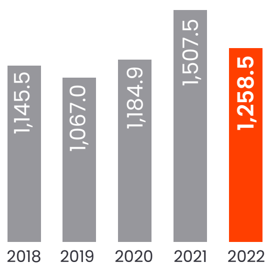


Link to strategy

Link to remuneration
Yes

03 Total portfolio

Equity and debt investments plus investments into limited participation interests. Shows assets under the Group's control.

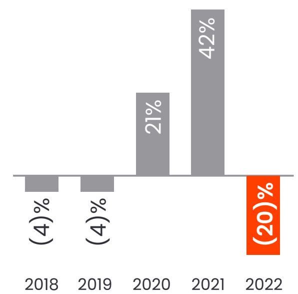


Link to strategy

Link to remuneration
Yes

04 % return on portfolio

Net portfolio gains and (losses) as a % of total portfolio value. A useful measure to compare annual returns.



Link to strategy

Link to remuneration
Yes

Link to strategy

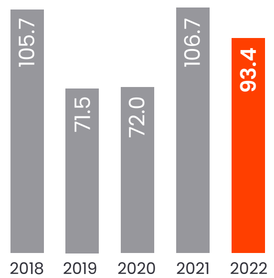
- Have an impact on the world that counts
- Develop our unique insight, expertise and access
- Accelerate value creation
- Build a truly differentiated reputation
- Be a home for exceptional talent

[1] Alternative performance measure. See note 29 for definition and reconciliation to IFRS primary statements.

KEY PERFORMANCE INDICATORS.

05 Portfolio investment[1]

The purchase of equity and debt investments plus investments into limited participation interests. A useful measure to compare annual investment in the portfolio.

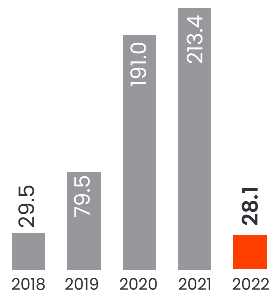


Link to strategy

Link to remuneration
Yes

06 Proceeds from sale of equity and debt investments

The total amount received from the disposal of interests in portfolio companies. A measure of realisation success. Realised funds are invested into new opportunities or returned to shareholders.

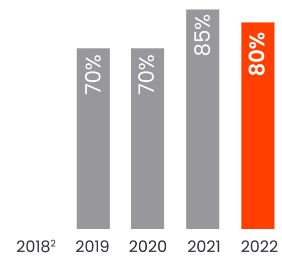


Link to strategy

Link to remuneration
Yes

09 Employee engagement and diversity

A hybrid people 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.

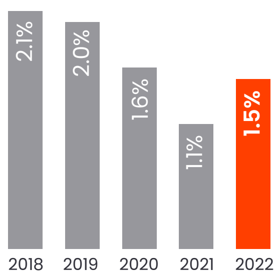


Link to strategy

Link to remuneration
Yes

07 Net overheads %[1]

The Group's core overheads less operating income as a percentage of net assets. Reflects the Group's controllable 'cash-equivalent' cost base in proportion to net assets.

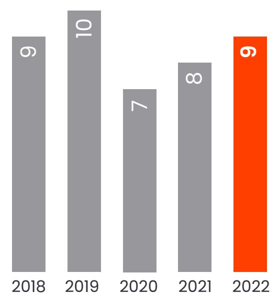


Link to strategy

Link to remuneration
Yes

08 Number of new portfolio investments

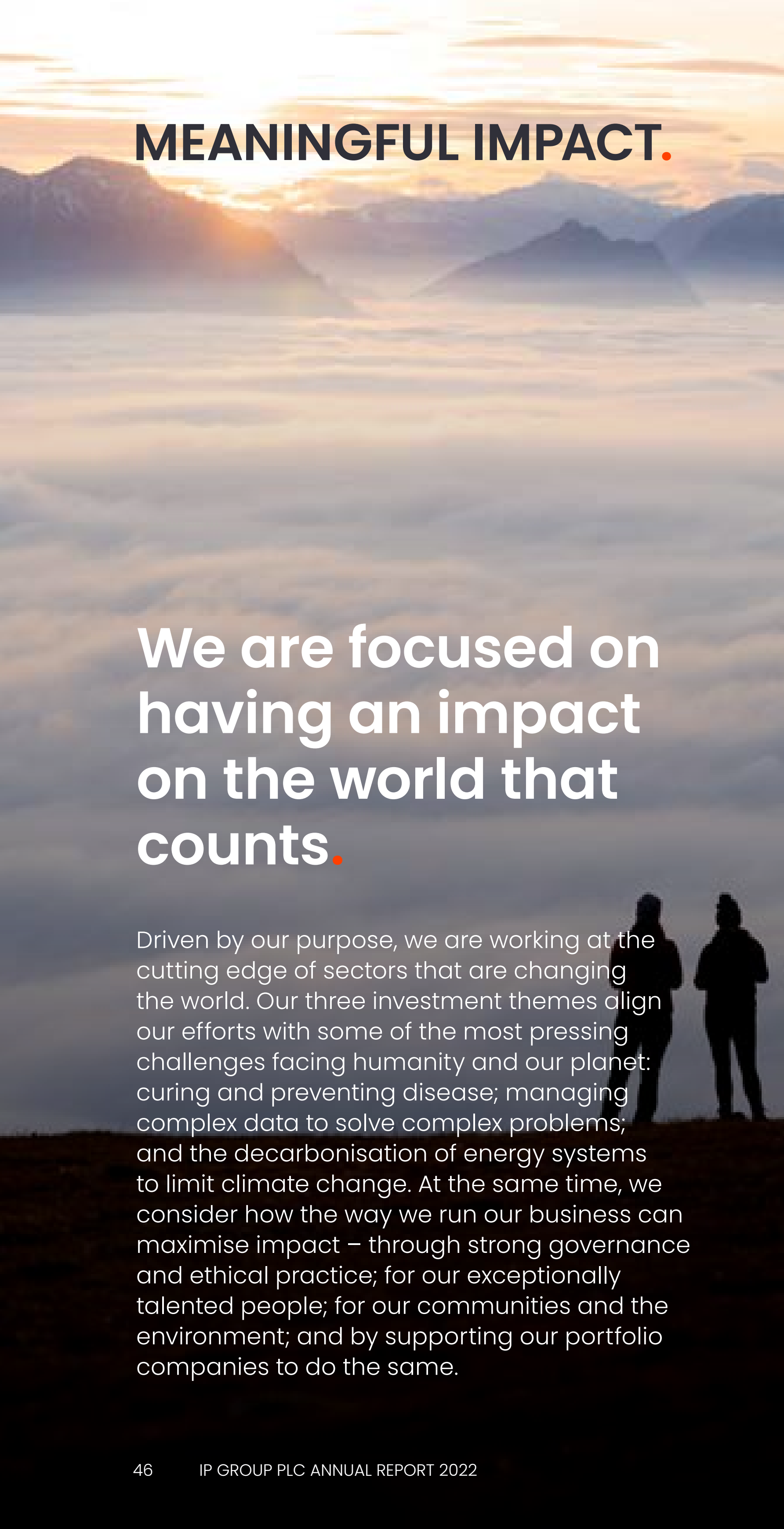
The number of portfolio investments that received initial capital from the Group during the year. A measure of the Group's ability to find and invest in new opportunities.



Link to strategy

Link to remuneration
Yes

1 Alternative performance measure. See note 29 for definition and reconciliation to IFRS primary statements.
2 Not measured in 2018.



MEANINGFUL IMPACT.

We are focused on having an impact on the world that counts.

Driven by our purpose, we are working at the cutting edge of sectors that are changing the world. Our three investment themes align our efforts with some of the most pressing challenges facing humanity and our planet: curing and preventing disease; managing complex data to solve complex problems; and the decarbonisation of energy systems to limit climate change. At the same time, we consider how the way we run our business can maximise impact – through strong governance and ethical practice; for our exceptionally talented people; for our communities and the environment; and by supporting our portfolio companies to do the same.

Our starting point

Environment and climate

IP Group's carbon footprint and exposure to climate risk as an organisation is low but, through our investments in carbon capture, nuclear fusion and hydrogen technology, we have a significant opportunity to support the global transition away from fossil fuels and enable organisations to achieve Net Zero goals and achieve a balance in greenhouse gasses produced with that taken out, sooner, in support of the Paris Climate Agreement. In addition, IP Group's Deeptech investments include technologies that are working to improve product performance whilst reducing energy consumption, from new computing architectures to next generation wireless networks. Science, technology, and innovation funding have also been identified by the UN as one of the main means of implementation for the achievement of the 2030 Sustainable Development Goals ("SDGs").

Social

We are a responsible organisation that seeks to have a positive impact on people and society through our investments and the way we operate. We conduct all of our operating and business activities in an honest, ethical, and socially responsible manner, acting professionally, fairly and with integrity in all business dealings and relationships. Our culture and internal frameworks guide our behaviour and help us focus on the things that really matter such as meeting our commitments, developing, and supporting our people, furthering our diversity and inclusion, and making a difference in our communities. We are building companies in our Life Sciences portfolio for a healthier future and in our deep technology portfolio that will support current and future societal needs in computing, communication, and mobility. Our investments in the human-machine interface are just one way we seek to make a positive social change, for example by allowing all human users the ability to interact digitally through means other than a keyboard - through touch, sound, and immersion.

Governance

IP Group endeavours to conduct business in accordance with established best practice, to be a responsible employer, and to adopt appropriate values and standards. The Group's Board of Directors oversees the Group's approach to ESG and ensures that ESG factors are incorporated into the Board decision making process. Further detail on the day-to-day responsibility for ESG matters is set out on page 68. The ESG and Ethics Committees report to the Executive Committee which, in turn, reports up to the Board. A written report is included in each Executive Committee and Board pack, and relevant issues will be discussed at the Executive Committee and/or Board where relevant. Furthermore, the Group's Head of ESG attends the Board on a bi-annual basis to present on the Group's ESG workstreams and progress.

MEANINGFUL IMPACT.

Our impact competencies

Our access:
Our deep relationships provide us access to a unique set of opportunities from around the world to invest in world-leading science and technology companies that derive from our networks, relationships, and brand.

Our expertise:
Our experience and expertise in every stage of business building allows us to bridge the gap between various groups at all stages of the process, as well as having IP know how, legal structure expertise, key recruitment, and capital market access. We have a network of trusted relationships with advisors, customers and partners built up over years.

Our insight:
Our international experience, expertise, networks, and relationships mean that we have unique insight that enables us to understand the potential of a given technology or innovation that others cannot see, or at least that we can see first.

Our perspective:
Our permanent capital structure allows us to take a long-term perspective. This perspective is a critical component of our expertise and insight and, if not unique, is a very unusual skill set in the often short-term investment world. We take a long-term perspective on value creation. We are mindful of, but not driven by, short-term fund cycles and are focused on maximising long-term financial and societal return.

Our entrepreneurship:
We can be flexible and open-minded in our approach, allowing us to be both entrepreneurial and creative in our response to opportunities. We are innovative in our approach and do it the IP Group way, adapting to what best suits the collective aim. We are prepared to take significant, yet intelligent, risk in terms of the early stage of development of the technologies we back, the structures we might use, and the timelines that we are prepared to take in seeing them realised. We have a co-founder mindset and are aligned with founding teams.

Read about our **business model** on **pages 14 to 15**

MEANINGFUL IMPACT.

Thematic focus areas

Life Sciences

Deeptech

Cleantech

£6bn+
investment in scientific development

+500
companies backed

+10,000
jobs created

Signatories to Investing in

Women Code

87%
reduction in operational carbon emissions since 2019

BREEAM
"outstanding" headquarters building

Invested in UK

Woodland creation
since 2018

Read more in **our 2022 Meaningful Impact Report**

OUR ESG FORWARD AGENDA.

We have established a strong foundation for our ESG agenda, putting in place the infrastructure, governance and processes that fully embed ESG considerations in decision making at IP Group.

Read about our **stakeholders** on **pages 99 to 108**

In 2023, we will implement our ESG Forward agenda which aims to accelerate our impact, while increasing the transparency by which we demonstrate and communicate our ESG performance to our stakeholders.

ESG integration is the baseline for all responsible investors. We seek to go further, building on our thesis that the issues currently faced by society require radical, innovative and impactful solutions, rather than incremental change. We will achieve this through strong partnerships with our portfolio companies and by focusing on the way we run our business and further developing our strong and supportive culture.

This approach speaks to our fiduciary duty as active, responsible investors and stewards, and to delivering clear outcomes that marry both financial and social returns and generate long-term sustainable value across the triple bottom lines of social, economic and environmental impact.

Our stakeholders

Meaningful impact through engagement with our stakeholders

Our investments

Meaningful impact through our investments

Our Group

Meaningful impact through the way we run our business

Our community

Meaningful impact in the communities in which we operate

IDEA methodology

Innovate	Back impactful companies, funding research and developing solutions to clear societal and environmental issues.
Demonstrate	Co-create KPIs working with our investors and stakeholders, that are meaningful, appropriate and transparent.
Elevate	Raise the profile of ESG matters in our organisation and in our portfolio companies.
Accelerate	Provide the tools, funding, support and management expertise to help companies achieve impact, incorporating a just and equitable approach.

OUR ESG FORWARD AGENDA.

Progressing our ESG Forward agenda.

Focus areas in 2021	Progress in 2022	Accelerating in 2023
Further integrate ESG into IP Group's overall strategy and across all of our business units	• Design of a 'joined up' ESG and impact approach for the investment life-cycle	• Work with investment directors and stakeholders to refine ESG and impact framework and integrate into investment process
Engage internal stakeholders with ESG including relevant training	• ESG engagement sessions with members of staff and portfolio companies, to provide an overview of core ESG concepts and leading practice	• Roll out additional content on ESG awareness and increase internal engagement on ESG matters
Improve data collection and reporting, particularly around material factors as identified by our materiality assessment	• Performed second annual ESG data collection exercise with portfolio companies	• Update ESG materiality map, with input from our stakeholders • Invest in an ESG data platform to collate ESG and climate-related data from portfolio companies
Consider formal environmental targets aligned to Net Zero at operational and portfolio level	• Committed to submit data to CDP and provided initial disclosure of Group data during the year	• CDP submission • Collaborate with portfolio companies to create a meaningful approach to emission reduction
Explore ways in which the positive impact of our portfolio can be further tracked, measured, and disclosed. Engage portfolio companies on key ESG factors such as diversity	• We have begun to work with portfolio companies to identify relevant KPIs and are `building out our impact framework to use for impact reporting	• Extend and roll out IP Group's impact framework for portfolio companies • Develop company and sector specific impact KPIs

UN SUSTAINABLE DEVELOPMENT GOALS.

Our investment themes and the way we run our business align us closely with six of the UN's Sustainable Development Goals. We have committed to undertake the SDG ambition programme in 2023 to help us to broaden our commitment to the SDGs.

UN SDG	Our contribution
3 GOOD HEALTH AND WELL-BEING 3.3 Fight communicable diseases 3.4 Reduce mortality from non-communicable diseases and promote mental health 3D Improve early warning systems for global health risks	• Through our investments in life sciences, we back innovative research and companies working to address unmet health needs across the globe • Oxford Nanopore is the world's first, and only, DNA sequencing platform that enables the genetic analysis of any living thing in any environment • We provide all employees and their families with health insurance to ensure that they have access to medical advice and treatment when needed • We provide targeted wellbeing and fitness sessions to staff across themes including stress management and resilience, individual coaching, work-life balance and sleep management
5 GENDER EQUALITY 5.1 End discrimination against women and girls 5.5 Ensure full participation in leadership and decision-making	• We are committed to equal opportunities for all and have an inclusion and diversity masterplan, which we began implementing in 2022 • We have equal male and female members on our Board • We have two female Employee Executives on our Executive Committee • 52% of our employees are female • We are signatories to the Investing in Women Code • Our Women's Networking Group focuses on ensuring women's full participation and equal opportunities at all levels of decision-making and connecting, inspiring and elevating women across the Group
7 AFFORDABLE AND CLEAN ENERGY 7.2 Increase global percentage of renewable energy 7.4 Promote access to research, technology and investments in clean energy	• Our cleantech portfolio companies focus on technologies and innovations that seek to meet the growing demand for clean energy and a regenerative society and planet • First Light Fusion achieved a validated world-first fusion event in 2022 • Hysata's unique electrolyser technology promises an efficiency gain in the production of green hydrogen that will bring the cost of production down to the point where it is economical and competitive with other green energy sources

UN SUSTAINABLE DEVELOPMENT GOALS.

UN SDG	Our contribution
8.1 Sustainable economic growth 8.2 Diversify, innovate and upgrade for economic productivity 8.6 Promote youth employment, education and training 8.7 End modern slavery, trafficking and child labour 8.8 Protect labour rights and promote safe working environments	• Through our investment in early-stage companies, we support job creation, entrepreneurship, creativity and innovation. We encourage the formalisation and growth of micro, small, and medium-sized enterprises • Featurespace machine learning solutions prevent fraud and financial crime • We are a responsible employer and reward colleagues in a fair, open and meaningful way. 100% of our employees earn a living wage • Our employees have access to learning and development opportunities that will support them in the short, medium and long term • We support productive employment opportunities for young people via our active support and sponsorship of IntoUniversity, and 10,000 Black Interns • We believe that human rights are non-negotiable and have clear policies on human rights and modern slavery which we share with our portfolio companies • In 2022 we increased our inflationary pay settlement for employees earning less than an agreed threshold. We also made a one-off cost-of-living supplement payment to a number of employees
9.2 Promote inclusive and sustainable industrialisation 9.4 Upgrade all industries and infrastructures for sustainability 9.5 Enhance research and upgrade industrial technologies 9.7 Universal access to information and communications technology	• We invest in new technologies and innovative solutions that support upgrading of technological capabilities and diversification, and sustainable, resource efficient, clean infrastructure • Ultraleap technology is being used for safety critical flight attendant training
13.2 Integrate climate change measures into policies and planning 13.3 Build knowledge and capacity to meet climate change	• Kiko Ventures, our Cleantech platform was launched in 2022 to focus on climate change and energy transition • Our head office is powered entirely by renewable energy and is rated BREEAM "outstanding" • Our flexible working policy reduces employee commuting • Our total emissions (tCO_2e) have fallen by 87% since 2019. We continue to make efforts to reduce this to over 90% • We incorporate climate risk and action into our broader governance processes and ESG framework • Since 2018 we have invested in UK woodland creation projects that will capture CO_2. Our 2022 credits fund the planting of more than 12,000 trees

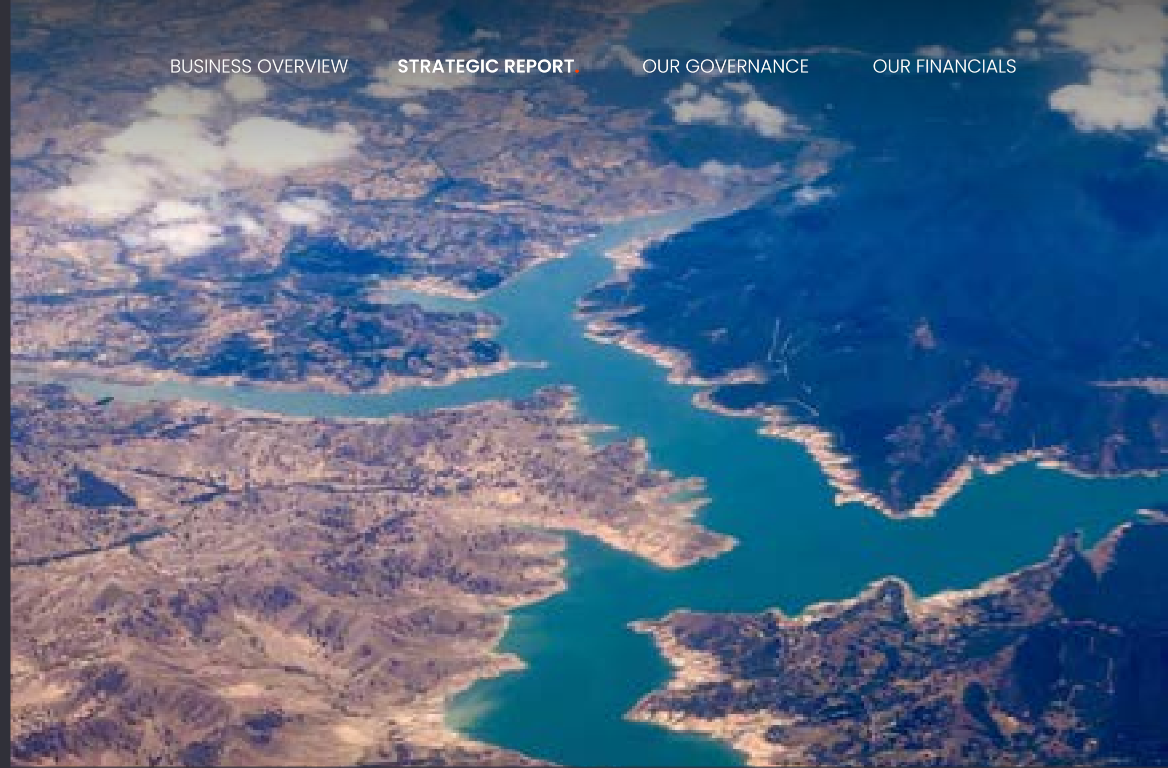
OUR STAKEHOLDERS.

Meaningful impact through engagement with our stakeholders.

Engaging and maintaining open channels of communication with our stakeholders is an integral part of our business and decision making processes. We collaborate with our stakeholders to define material ESG issues which, in turn, informs our focus areas, targets and supports ESG planning. This process supports our goal to achieve positive outcomes and meaningful impact on real, practical issues and enables the definition of clear roles and responsibilities to achieve them.

Read about **how we work with our stakeholders** on **pages 99 to 108**

OUR INVESTMENTS.



Meaningful impact through our investments.

We can achieve meaningful impact through the business sectors and types of business we invest in; by ensuring we invest responsibly and by supporting our portfolio companies to adopt appropriate ESG-related practices.

"

We launched Kiko Ventures to contribute to tackling climate change with an approach to venture that's fit for purpose as well as profit. The technologies that we are investing in and working on with our portfolio partners are critical for the green transition, such as carbon capture, home energy optimisation and hydrogen production and use. To say that the impact that these technologies will have is sizable is an understatement, and over the next few years we aim to double down on our commitment in accelerating society's transition to a decarbonised, regenerative and equitable future for all.

Jamie Vollbracht
Founding Partner, Kiko Ventures

Our ethical investment approach

Our Ethical Investment Framework ("EIF") guides our approach to investment, ensuring it is responsible and aligns with our values. Our Ethics Committee meets twice a year under the independent Chairmanship of Professor Gordon Clark.

Read about **our Ethics Committee** on **page 68**

ESG is embedded into our investment process in the following ways:

- An ESG assessment is undertaken as an early part of our investment decision making process
- We include undertakings in our investment agreements with portfolio companies, which contain a list of excluded sectors that companies should avoid doing business with and provides for assistance from the Ethics Committee if any companies are considering operating in those sectors
- A policy toolkit provides policy templates for portfolio companies for key ESG areas such as data protection, health and safety, equal opportunities and diversity
- IP Group and Parkwalk are signatories to the Investing in Women Code, a commitment made by certain financial services firms to support the advancement of female entrepreneurship in the United Kingdom. The Code aims to increase female representation on investment committees, boards of portfolio companies, and company founders selected for investment

OUR INVESTMENTS.

First Light Fusion – safe, clean and limitless fuel

"First Light was set up in 2011, and IP Group has been with the business from the start. IP Group understood the science and the promise it held, and we backed it not just as an investor but also as a business builder, providing support and help along its journey. We were the first institutional investor and then led the next two investment rounds. We also used our internal talent function to complement the team's brilliant scientists with people from the worlds of business and energy. We recruited the company's Chairman and COO and placed Sir David King, the former UK Government Chief Scientific Advisor and world-renowned clean energy expert on the company's Advisory Board. We have been on the company board for over a decade and set up First Light's governance structure and helped them create their IP and information security strategies. Over the years, we have introduced many other investors to the company and helped them achieve prominence in the climate and energy policy communities."

Robert Trezona
Founding Partner, Kiko Ventures

First Light Fusion's mission is to enable clean fusion power with the simplest machine possible. Its inertial confinement approach aims to create the extreme temperatures and pressures required for fusion by compressing the fuel using a hypervelocity projectile. Fusion, which is safe, clean, and virtually limitless, has the potential to transform the world's energy system and, unlike existing nuclear fission, there is no long-lived waste, no meltdown risk and raw materials can be found in abundance.

Idea

First Light Fusion's journey started in nature, with the pistol shrimp. The pistol shrimp has an oversized claw, which it can click at very high speed. The motion is so fast that it launches a shock wave into the water and stresses it so much that it rips apart and forms a cavity. As the cavity then collapses in a process called cavitation, the vapour inside is heated to thousands of degrees and emits a bright flash of light.

Two scientists at Oxford, Dr Nick Hawker and Professor Yiannis Ventikos, were modelling this process and discovered that, in principle, this sort of shock-driven cavity collapse could achieve fusion conditions. This led to the founding of an Oxford spin out company in July 2011. IP Group led the first investment in the new company, alongside Parkwalk Advisors and a number of angel investors. The company changed its name to First Light Fusion in 2014 and proceeded to embody its technology in proprietary designs which shape input shockwaves from a projectile into hypersonic implosions that heat and compress fusion fuel. In 2022, the company demonstrated fusion from the reaction with a projectile for the first time.

Nurture

IP Group led the first three investment rounds for First Light Fusion and used its internal executive search function to add business and engineering personnel to the team. High-profile venture investor and serial entrepreneur Bart Markus was recruited to Chair the company and Sir David King, the former UK Government Chief Scientific Advisor and world-renowned clean energy expert joined First Light Fusion's Advisory Board.

Impact

First Light Fusion's approach to fusion has the potential to make clean fusion power practical and cost effective. If the technology can be successfully brought to market over the next two decades, it will make a significant impact on the transformation of the global energy system.


© First Light Fusion

> One of IP Group's unique strengths is they really genuinely understand science. They've supported us right from the beginning and we wouldn't be here without them.

Dr Nicholas Hawker
CEO, First Light Fusion

SUPPORTING OUR PORTFOLIO COMPANIES IN ESG.

Our ESG Forward agenda recognises the role that the Group can play in supporting portfolio companies to integrate ESG matters into their own businesses through the provision of resources and advisory support. Our direct involvement in many of our companies through Board and management positions gives us great scope to engage on these matters and accelerate efforts to maximise impact. Ultimately, this will support our goal of creating an authentic and authoritative set of measures to understand, target and report impact.

Read about our **ESG forward agenda** on **page 49**

Work to date suggests we can maximise outcomes in the following areas, all three of which align to focus areas at Group-level:

- **Carbon reduction measurement and initiatives**
- **Diversity and inclusion**
- **Good governance**

We are addressing this through engagement and collaboration on matters such as human rights, employee relations and ESG planning. We are able to provide training for our portfolio companies on ESG topics and we have created a Policy, which includes policy templates for critical legal and governance areas such as equal opportunities, anti-bribery and corruption, and data privacy. Finally, we are providing support to our portfolio companies to understand their carbon footprints and other environmental impacts and put strategies in place to reduce them.

OUR APPROACH TO SOCIAL.

Meaningful impact through the way we run our business.

The way we run our business creates meaningful impact for a wide range of stakeholders and particularly for our employees and our communities. We have a strong culture that we seek to build every day by focusing on the things that matter to our employees including ethical behaviour, engagement, inclusion and diversity, and reward. We also seek to maximise impact by supporting our portfolio companies in their own ESG journeys.

OUR APPROACH TO SOCIAL.

Our Group

Developing a culture that contributes to our purpose.

Fulfilling our purpose is entirely dependent upon the quality of our people. Identifying, backing and growing transformational businesses based on disruptive scientific innovation can only be achieved by leveraging the capability and experience of highly motivated individual experts.

Our culture, and the values that underpin it, play a significant role in achieving this by creating an environment which allows us to attract, retain and engage exceptional people, and enables them to do their best work. We aspire to be best-in-class in all areas of operation, developing our people and culture offer in key areas including learning and development, reward, inclusion and diversity and communication to support this.

Our approach to the day-to-day management of our people reflects this. We take a highly individual approach to the management of each person, within frameworks that ensure that every one of our people is treated fairly and equitably. We focus on continuous improvement, placing a very high level of importance on the opinions of employees, which we actively seek out and listen to across a number of different channels.

We believe our culture is and will remain a key contributor to our long-term performance and sustainability.

During 2022, our successes have included:

- A significant increase in employee engagement, with our eNPS score increasing over 2021 from +28 to +50
- An agreed Inclusion and Diversity Masterplan; a three-year programme of improvement led by our employees, which aims to make IP Group a market leader in inclusion, diversity and equality
- Increased investment in skills, knowledge and wellbeing across the workforce, with over 60 courses run during 2022 and over 90% of our people attending at least one non-statutory learning programme

OUR APPROACH TO SOCIAL.

Ethical behaviour

We strive to always conduct our business activities in an honest, ethical, and socially responsible manner and to comply with all laws, regulations and rules applicable to our business. We expect our portfolio companies, co-investors, employees and suppliers to hold the same high standards when conducting their respective businesses.

We are committed to acting professionally and with integrity in all of our business dealings and relationships and with consideration for the needs of all of our stakeholders.

We have adopted policies and standards designed to help and guide employees in their conduct and business relationships. We take a zero-tolerance approach to breaches of our policies and implement and enforce effective systems to mitigate risk. We provide mandatory training on critical areas such as anti-bribery and corruption, market abuse and data privacy matters.

Copies of our key policies can be found on our website www.ipgroupplc.com

Human rights and modern slavery

We believe that human rights are universal and non-negotiable. We seek to promote a working environment where workers are treated with respect, dignity and consideration and their fundamental human rights are protected. We comply fully with applicable human rights legislation in the countries in which we operate, which includes upholding freedom of association and the right to collective bargaining, equal remuneration and protection against discrimination.

We are committed to implementing and enforcing effective systems and controls to ensure modern slavery is not taking place anywhere in our business or supply chain. We expect the same high standards from our contractors, suppliers and other business partners. We have adopted principles and policies which are relevant to the prevention of modern slavery in our organisation. These are overseen and monitored by our ESG and Ethics Committees.

Our Modern Slavery Statement can be found on our website www.ipgroupplc.com

Engaging our team

Ensuring our people remain engaged, motivated, and aligned with our purpose is as critical as ever. We clearly see the benefits of engaging with the wider team regularly via a range of channels and on a two-way basis insofar as possible.

Our primary measure of engagement is taken from our Voice of IP Group ("VIP") surveys. These surveys take place on a quarterly basis, with the main survey in Q2 supplemented by three pulse surveys. We carefully monitor both the objective and subjective feedback from these surveys and use the outcomes to inform our focus and priorities for development.

It is significant that survey scores continued to improve through 2022. At +28, our eNPS score was already classified as high at the start of the year, so we are very proud to have moved to an all-time high score of +50 at the year end.

eNPS: Improved from +28 to +50 during 2022

Measured using responses to "I would recommend IP Group as a great place to work" in our quarterly Voice of IP Group surveys

Question answered on a scale of 1–5

eNPS = % employees answering 5, less % answering 1, 2 or 3.
Outcomes range from -100 (low) to +100 (high)

Example survey responses:

"We have a strong culture with a clear vision and goals."

"I really believe in what we are looking to achieve."

"IP Group is a great team with positive attitude and mutual respect between members of the team. I am happy to work here!"

"I have the opportunity to work on amazing technology with the potential to change the world."IP has a flexible working culture and is open to new ideas and ways of working."

OUR APPROACH TO SOCIAL.

We believe this increase in active employee engagement contributed to our continued ability to attract and retain high-quality people across the team. As with many companies, the phased return to more normal working patterns in 2022 combined with cost-of-living pressures, difficult macroeconomic conditions and a tight labour market meant that both attraction and retention have been more challenging than in previous years.

We were therefore pleased to note that, whilst 16 colleagues left the business during 2022, only nine leavers were unplanned. Two of these individuals took up key positions with portfolio companies and one has since re-joined the Group. Each of the remaining six individuals left the firm on good terms in order to pursue career opportunities not available within the Group or our portfolio.

Workforce engagement is a key part of the culture at IP Group. We use multiple channels to ensure we are able to develop a positive two-way dialogue with individual employees and representative groups.

Our regular cycle of VIP surveys generates meaningful insights which inform the development of our culture, as well as enabling us to monitor our progress in key areas. With a small team, we are also able to ensure that all of our people have direct and consistent access to leadership, informally on a day-to-day basis and through more formal channels and regular all-employee events.

Our Designated Non-Executive Director, Aedhmar Hynes, remains directly responsible for workforce engagement, acting as a conduit between the Board and the wider team. Anthony York, Group People Director, fulfils this role for the Executive Committee.

Employee forum

Engagement is partly facilitated through IP Connect, our employee forum. IP Connect is a group of employees elected by the employee group to represent workforce views. It is consulted regularly for both general and specific feedback on cultural development as well as other matters. It is the responsibility of both Aedhmar and Anthony to represent these views appropriately during Board, Committee and Executive Committee meetings. The CEO and CFOO also regularly attend IP Connect meetings to hear views directly and share and request feedback on key Group work such as the development of our five strategic pillars.

During 2022, the forum provided feedback on a broad range of topics, including Executive remuneration, our working environment, group values, work/life balance, the (various) results of our quarterly engagement surveys, Group strategy, and our approach to learning and development.

This feedback directly influenced our approach in a number of areas. We were able to put our Remuneration Policy to shareholder vote during the year with confidence that our employees were in full support. Improvements were made to the environment at our new headquarters and to our approach to flexible working to ensure our approach worked for everyone. Our development and (particularly) communication/engagement of the new Group strategy was significantly influenced by feedback from IP Connect, as was the development of the values and behaviours which will underpin it. These will be finalised and launched with further feedback from this group during 2023.

As we move into 2023, our commitment to seek out, engage with and act upon the feedback of our employees remains as strong as ever. The membership and constituency structure of IP Connect has recently been refreshed to ensure that all employees are well represented and have an equal voice. The refreshed group will continue to meet regularly, representing the views of our employees to the Executive Directors and the wider Executive Committee and Board.

Outside of this forum, our employees are easily able to access our Executive team, our wider leadership group or the HR lead, and are encouraged to do so.

Employee Executives

In 2021 IP Group announced it would be including two Employee Executives on the Executive Committee, a pioneering move with the primary purpose of bringing more diversity of thought into the decision making process at the top of the organisation. These positions were assigned to employees who put themselves forward for selection, with the initial two Employee Executives being Lisa Patel, a Partner in the Life Sciences team and CEO of Istesso, and Joyce Xie, Managing Director, IP Group Greater China.

We believe we are one of the first FTSE250 companies to introduce this type of initiative.

OUR APPROACH TO SOCIAL.

Speaking up

All employees also have access to our anonymous, third-party hosted speak up hotline which is available 24-7. Employees are encouraged to use the hotline to report concerns of any description including unethical practice, bullying/harassment or any behaviour not in line with our policies and values. There were no incident reports to the hotline in 2022.

Rewarding success

We believe that a fair, equitable and motivating reward structure plays a central role in inspiring our people to do exceptional things and contributes significantly to overall employee satisfaction.

During 2022 we implemented planned changes to our Executive Director reward structures, particularly the change in target structure and weighting in our Annual Incentive Scheme (bonus) and the introduction of a new Restricted Share Plan ("RSP"). These changes were also rolled out to the wider employee group and were very positively received.

Read the **Directors' remuneration report** on **pages 140 to 162**

With a relatively small number of employees, all of whom contribute tangibly to the success of our business, we are particularly sensitive to external pressures which might distract or otherwise impact our people. During 2022, this has included the acute cost-of-living pressure. We believe that it was both morally and commercially responsible to directly respond to these pressures to protect the most vulnerable employees.

As such, during 2022, we increased our inflationary pay settlement in April to a minimum of 5% for all qualifying employees earning less than and agreed threshold. The overall increase in like-for-like salary during the year was above 8%, a significant investment for the Group.

In response to persistent high inflation through the second half of the year, we also made one-off "Cost-of-Living Supplement" payment in November 2022 to a limited number of employees. The payment was to help people deal with the significant impact of inflation, particularly increases in heating and utility costs during the winter months. The payment was considered especially important given our commitment to flexible working, meaning more of our people are spending more time at home.

Cost-of-Living Supplement payments of £2,000 were granted to all employees with a base salary at or below an agreed threshold. Payments were pro-rated for part-time employees, but no minimum service criteria or other qualifying conditions were applied.

We operate an HMRC-registered SAYE share save scheme for all UK employees.

Improving inclusion and diversity

Maintaining a diverse and inclusive working environment and employee group is central to our culture and something we remain highly committed to achieving. Our success depends on the quality of the management and investment decisions we make and the advice we give, both of which are improved when influenced by a wide and representative range of views.

Our ambition is to be diverse and inclusive across all characteristics and to create a work environment where all talent thrives. We believe this approach is both responsible and sustainable.

Our commitment to this approach is exemplified by the Employee Executives positions on our Executive Committee. See page 60.

> "
>
> We believe that the broadest group of inspired innovators has the greatest capacity to create the brightest future. We are committed to pioneering I&D best practice because we strongly believe that diversity in its broadest sense leads to optimal decision making, and that a supportive inclusive environment brings out the best in our employees, founders and industry partners.
>
> **Anthony York**
> **Group People Director**

OUR APPROACH TO SOCIAL.

We remain committed to driving wider improvements in inclusion, diversity and equality across the Group. Our approach is defined and implemented by an employee-led group, the Inclusion and Diversity Project ("IDP") group.

The IDP group was formed following an I&D gap analysis undertaken in 2021 by Equality Group, the I&D consultancy specialist. The group comprises 16 members from across IP Group, tasked with driving I&D progress. It is Chaired by Lois Day, from the Deeptech team at IP Group.

The IDP spent much of the first part of 2022 developing, refining and agreeing our Inclusion and Diversity ("I&D") Master Plan. The Plan explains in detail recommended actions for the first twelve months and then the subsequent three years across four specific areas:

1. **Education & Awareness**
   With the goal of building a culture that celebrates I&D, feels special and reinforces IP Group's success; providing relevant and ongoing education to the organisation on I&D; and instilling positive behavioural norms in the organisation based on fair engagement practices.
2. **Positioning & Communication**
   With the goal of communicating inclusively and promoting the organisation's culture and benefits internally and externally.
3. **Guidelines & Toolkits**
   With the goal of creating relevant guideline documents that will establish a behavioural framework and provide resources for the implementation of the best inclusive practices internally and externally, including for the benefit of our portfolio companies.
4. **Accountability & Metrics**
   With the goal of exploring and implementing specific input-focused targets to improve firm-wide representation and decision-making through increased diversity of thought and embedding a measurement system to capture individual behaviour and its impact on organisational culture.

These medium- to long-term priorities and objectives were developed with significant employee input and feedback and were approved by both the Executive Committee and Board in Q2 2022. Significant progress was made in the implementation of early priority areas in the second half of the year.

During the implementation phase, emphasis was placed on the Education & Awareness pillar, the cornerstone of which is the IDP Champions initiative. An IDP Champion was appointed in every internal team, taking responsibility for engaging team members with the importance of knowledge and understanding of these complex issues. We believe this knowledge first approach will be key to unlocking sustainable, long-term cultural change.

Our IDP Champions were tasked with leading regular I&D discussions with their teams, based on a targeted curriculum designed in collaboration with Equality Group, our external expert partners. During 2022, discussion topics included diversity, inclusion and belonging; bias; privilege; and allyship.

Our Women's Networking Group ("WNG") was another priority development in 2022 and held its launch event on 13 July. The aim of the WNG is to connect, inspire and elevate women across the Group and Parkwalk. Three WNG events were held in 2022 and a full curriculum of events has been developed for 2023. Invitations to events are also extended to WNG allies.

OUR APPROACH TO SOCIAL.

Our Education & Awareness efforts also led to firm-wide roll out of Conscious Inclusion workshops; continued support for our regular, employee-led "Ted Talks and Tea" discussion group, which focuses on I&D topics; and the launch of our "I&D Hero" award.

Whilst Education & Awareness has been our priority theme in 2022, we have made significant progress across a number of areas, including:

- **I&D hub**: The launch of a dedicated I&D hub on our employee intranet site for I&D resources and the integration of I&D highlights into our social media plan
- **Employee Guidance**: Development of inclusive communication guidelines, an inclusive leadership guide, and our behavioural code of conduct was led by the IDP. We expect all of these initiatives to launch during 2023
- **Recruitment**: Protocols have been established to ensure adherence to a firm-wide shortlisting policy which focuses on diversity-friendly recruitment practices. An I&D audit of external recruiting firms was conducted by the HR team and free training support has been offered to partner recruitment agencies to improve knowledge, understanding and our overall candidate experience
- **How we engage**: All internal meetings and interactions are positively influenced by our agreed engagement practices which encourage our people to think positively, build up others, challenge biases, practice a growth mindset and listen actively in their interactions with both internal and external stakeholders
- **Ted Talks and Tea**: A regular programme of challenging discussion events continued during 2022. The programme is run directly by members of the team and is open to all employees. Subjects covered in 2022 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
- **Data/Monitoring**: To ensure we have a full understanding of our current position and can monitor our progress in this area as we move forward, gender diversity data has been gathered for assessment at the IP Group employee level, for our Board, and at the portfolio level

A huge amount of work went into driving gender diversity at IP Group in the second half of 2022 and an ambitious programme of priority actions has been identified for 2023 including the roll out of an Inclusive Communications workshop, the launch of a Code of Conduct document, an assessment of IP Group policies versus I&D best practice, and the development of a reverse mentoring scheme.

Gender diversity

In the recent past we have focused 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 remains at a very high level across all cohorts and that, overall, the organisation employs more females than males.

Gender split as at 31 December 2022

	Male		Female	
	Number	%	Number	%
Board	4	57%	3	43%
Executive Committee	7	64%	4	36%
Other Senior Management/ Partners	16	64%	9	36%
Combined SLT	23	64%	13	36%
All employees	45	48%	49	52%

This gender diversity data is the information submitted to FTSE Women Leaders. Greg Smith (CEO) and David Baynes (CFOO) are included in data for the Board and for the Executive Committee.

In January 2023 we appointed Anita Kidgell as a Non-executive Director, bringing 25 years of pharmaceutical experience spanning multiple disciplines to our Board. Anita's appointment makes IP Group one of only a minority of FTSE 250 companies with an even gender split on its Board.

OUR APPROACH TO SOCIAL.

Board and Executive Management diversity

Listing Rules LR 9.8.6(10) and (11) require the Group to publish information on Board diversity. Data is for the IP Group Board and Executive Management on 7 March 2023.

Numbers in this table are based on how individuals identify themselves, based on data which is a subset of data collected regularly from all individuals on a wholly voluntary basis. This approach differs from the data submitted to FTSE Women Leaders presented on page 63.

In the tables below, Executive Management data is for the Executive Committee. Greg Smith (CEO) and David Baynes (CFOO) are included in Board data but not the Executive Management data.

Gender

	Men	Women	Not specified/ prefer not to say
Number of Board members	4	4	–
Percentage of the Board	50%	50%	–
Number of senior positions on the Board (CEO, CFO, SID and Chair)	3 (75%)	1 (25%)	–
Number in Executive Management	5	3	1
Percentage of Executive Management	56%	33%	11%

Ethnic background

	White British or other White (including minority-white groups)	Asian/Asian British	Not specified/ prefer not to say
Number of Board members	7	1	–
Percentage of the Board	87.5%	12.5%	–
Number of senior positions on the Board (CEO, CFO, SID and Chair)	4 (100%)	–	–
Number in Executive Management	7	1	1
Percentage of Executive Management	78%	11%	11%

Developing our talent

We continue to focus on ensuring our people have access to an exceptional learning and development offer. Our approach is based around “curating” an effective mix of learning programmes for each individual employee over the short, medium and longer term. The plan supports both current role and individual career aspirations.

Each individual plan is based upon an exploration of learning/development needs in three distinct areas:

- **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 transferable skills so that our people are able to maximise the impact and value of their professional capability
- **Protect**: Integrate the skills, knowledge and training 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.

During 2022 we supported development across a wide range of specialist areas and target cohorts. From sponsorship of employees on a Venture Capital Fellowship programme in the UK to the asynchronous Venture University programme in Australia and MBA studies at Chicago Booth Management School, we ensure that our people are able to build a solid skill base to support performance and progression.

Courses like Executive Presence for Women, delivered by RADA, and our internal curriculum of communication, presentation and influencing skills ensures that our people are able to leverage their professional capability with maximum impact. And our targeted wellbeing programmes, across themes including stress management and resilience, individual coaching, work-life balance and sleep management ensure our people remain fit, healthy and able to work in the face of both stress and competing external pressures.

OUR APPROACH TO SOCIAL.

Flexible and open working

We have continued to evolve our working environment, with the aim of ensuring each employee is able 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 – and 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.

Our approach is based around a flexible and adaptable mix of office and home working. We do not mandate any particular working pattern, rather emphasise employee choice and responsibility to develop a pattern which works for them and their stakeholders.

The significant reduction in commuting and business travel since we introduced this approach has allowed people to use their time more productively and has also resulted in a meaningful decrease in both financial and environmental costs. However, we are also aware of the importance of physical office space and regular co-working, which we believe contributes to both efficiency and employee wellbeing. Our global office spaces, working patterns and supporting technology have continued to evolve during 2022, and we believe this evolution will continue over the coming years.

We believe a shared space to work together will always form part of our approach and our office spaces represent the heart of our business, embodying our mission, vision, and values. We aim for our spaces to function as a magnet rather than relying on mandated attendance. We work hard to ensure that our workspace offering is conducive to the needs of all of our people.

Protecting our people

All our people are responsible for the promotion of, and adherence to, health and safety measures in the workplace. Our CFOO 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 our 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 2022, no reportable accidents occurred under UK Health and Safety regulations. We also run a range of wellbeing initiatives for employees focusing on physical and mental health.

OUR APPROACH TO SOCIAL.

Supporting our communities.

We recognise that we do not operate in a vacuum and that it is important to look outside of our organisation and consider the bigger picture. This is the right thing to do, but we also see a benefit for ourselves in terms of understanding the deeper long-term impact of our strategies, operations and investments and building employee engagement. Bringing our ethos and passion to make a positive difference to those around us is enjoyable and helps us build a strong and empathetic team. To maximise impact, we typically partner with organisations we believe have a similar purpose to us and address societal and environmental needs.

OUR APPROACH TO SOCIAL.

A key area of focus is to increase equity for underserved groups, including those from underrepresented ethnic and different socio-economic backgrounds by supporting relevant community organisations and providing access to pathways into venture capital and private equity. We involve our employees in choosing partners, working through our Group charity liaison team. Our current partner charity IntoUniversity was chosen by an employee vote from a shortlist of four charities sourced from an original pool of employee suggestions.

IntoUniversity

IntoUniversity is an educational charity that supports young people to access higher education or other ambitions through a network of learning centres across the UK. The Group is partnering with IntoUniversity Brixton to transform the lives of young people from disadvantaged backgrounds in this area of London. In 2022 IntoUniversity Brixton supported more than 1,400 students through a wide range of programmes covering academic and personal development.

IP Group funds IntoUniversity's STEM-themed centre in Brixton and our employees actively volunteer to support individual students. In early 2023, we hosted 22 students at a Business in FOCUS workshop.

10,000 Black Interns

We continue to actively support the 10,000 Black Interns programme, which recruits Black students and graduates into paid internships in sectors including finance and technology, as we have done since its inception. Our latest intern, Malaq-Neo Daniel worked alongside our Deeptech team over the summer of 2022. Mal found the experience valuable, and he contributed to the success of the team during his placement period to such a degree that we look forward to welcoming him back as a permanent employee once he completes his studies in 2023.

Read more about **IntoUniversity and the Black Interns programme** in our **Meaningful Impact Report**

Governance.

As a publicly listed entity, we have a strong and robust governance framework, flowing from the Board down to the Executive Committee and the Group's underlying business. The Board has delegated responsibility for ESG matters to the Executive Committee, with the CEO retaining accountability for ensuring that ESG factors are properly considered and incorporated within all aspects of the Group's business. The Executive Committee is responsible for reporting on ESG matters (including any Ethical considerations) to the Board.

The governance structure in relation to ESG matters specifically is set out right. The Executive Committee delegates day-to-day responsibility for ESG matters to both the ESG and Ethics Committees and receives regular updates from each committee. The ESG Committee, is chaired by the CEO and attended by the CFOO, Head of Communications, General Counsel UK and representatives from the investment partnerships.

The ESG Committee meets quarterly to discuss progress on ESG matters across all elements of the Group's business, which helps to ensure the integration and alignment of the Group's ESG strategy and investment processes with that of the overall strategy of the Group. The ESG Committee is responsible for overseeing and implementing the Group's ESG and Sustainability policy.

The Group also operates a separate Ethics Committee, which provides guidance on ethical issues and monitors compliance with the Group's Ethical Investment Framework. The Ethics Committee meets twice a year, but will also consider matters that arise at the Group or portfolio company level on an ad-hoc basis where necessary.

The oversight function and executive play complementary roles in managing ESG matters, including climate-related risks and opportunities.

Oversight

Board

Executive Committee

Delegated Authority

ESG Committee | Ethics Committee

Execution

Responsible Investment Working Group

Our governance framework is supported by a range of policies and our Ethical Investment Framework described on page 54. Copies of our key policies can be found on our website www.ipgroupplc.com

Cyber security

The threat of a cyber-attack is considered a principal risk facing the Group. The Board and our Committees have placed particular focus on mitigating this risk, driving the institution and implementation of cyber security systems and processes along with an ongoing programme of employee testing and training. We take the threat of a cyber incident very seriously and endeavour to mitigate the risk wherever possible.

The Audit and Risk Committee and Risk Council are provided with regular Cyber Security Reports. In 2022 a Cyber Security Strategy was developed and will be followed over the course of the next three years.

Read about **governance at IP Group** on **pages 109 to 177**

Read about **cyber security** on **page 96**

Our commitment to climate.

IP Group's carbon footprint and exposure to climate risk is low but, as a responsible business, we continue to focus on managing and reducing the entirety of our environmental footprint. We are targeting Net Zero for Scope 1, 2 and 3 emissions by 2030 (by reducing our emissions by 90% or more, compared to that of our base year) and have broadly aligned our reduction plan with Science-Based Targets thinking. For the fifth year running we have chosen to invest in carbon mitigation schemes.

OUR COMMITMENT TO CLIMATE.

Sustainable London HQ

Our headquarters in Kings Cross is one of the most energy efficient and sustainable developments in the UK. The building has been awarded a BREEAM "outstanding" rating and uses the most efficient route to create clean localised heat and power. Over and above being located in a highly efficient building, our environmental impact has benefited from our move to flexible working described on page 65 and an increase in the proportion of meetings held virtually.

Scope 3 emissions

Our Scope 3 emissions inventory is currently limited to emissions arising from business travel. We are in the process of reviewing Scope 3 categories to determine which are material and measurable for the Group and, therefore, what additional data we may be able to disclose in the future, including aggregating data from our portfolio companies.

Whilst we are able to hold many meetings virtually, face-to-face interaction is an important part of what we do. We therefore expect business travel to be a continuing source of emissions for the Group.

Environmental disclosures

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 2022 to 31 December 2022, in line with our 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. These disclosures can be found right. See our Annual Report for our Task Force on Climate-Related Financial Disclosures ("TCFD") disclosure.

We assess our carbon footprint in order to identify practical steps to further reduce our direct emissions. Moving our head office to a BREEAM "outstanding" rated building supplied by renewable energy was a key step in our journey to be carbon neutral in our direct operations and signals our clear commitment to climate.

The table below shows IP Group's annual energy consumption for global operations, associated relevant greenhouse gas emissions and additional related information. This encompasses energy and emissions from office use and has been expanded beyond the minimum requirements to include emissions associated with all business travel and staff commuting.

The methodology used for 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 – 2022". Emissions are reported as tCO_2e. Scope 2 emissions are reported as "location based". Of our total reported energy consumption 290,730kWh was directly related to our UK operations, producing GHG emissions of $56tCO_2e$, 44% of our total.

Energy consumption and emissions

	2019	2020	2021	2022	% Difference vs 2021
On-site combustion (kWh)	42,592	n/a	n/a	**n/a**	–
Electricity (kWh)	385,759	67,165	169,604	**122,880**	-27.55
Road Transport (kWh)	n/a	n/a	17,463	**n/a**	–
Total Energy (kWh)	**428,351**	**67,165**	**187,067**	**122,880**	**-34.31**
Scope 1 Emissions (tCO_2e)	8	–	–	–	–
Scope 2 Emissions (tCO_2e)	114	21	41	**24**	-41.50
Scope 3 Emissions (tCO_2e)	852	118	42	**103**	+145.30
Total Emissions (tCO_2e)	974	139	83	**127**	+53.01
Emissions Intensity tCO_2e/FTE	**8.7**	**1.4**	**0.9**	**1.46**	**+62**
Emissions Intensity tCO_2e/m^2	**0.4**	**0.07**	**0.05**	**0.15**	**+200**

OUR COMMITMENT TO CLIMATE.

Emissions intensity

IP Group reports two metrics; emissions/staff number in FTE, and emissions per unit of office floor area in m^2. The resulting emission intensity calculations for 2022 are:

- 1.46 tCO_2e/FTE
- 0.15 $tCO_2.e/m^2$

These have increased by 62% and 200% respectively versus 2021 due to the return to office working following the lifting of COVID restrictions, with a greater number of employees commuting and spending more time in the office and a resumption of essential business travel.

Over a longer period, our total operational emissions (tCO_2e) have fallen by 87% from our 2019 base year total of 974. We continue to make efforts to reduce this to over 90%.

Energy efficiency actions

As described on page 70, 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 of energy efficient design.

Carbon mitigation

Since 2018 we have invested in UK woodland creation projects that will capture CO_2. The UK woodland creation is certified under the government's Woodland Carbon Code and delivers independently certified woodland creation projects that offer tangible social and environmental benefits. It is the only standard of its kind in the UK.

Our 2022 credits will support two UK woodland projects through the planting of more than 12,000 trees across nearly five hectares of land accounting for 2126 tonnes of CO_2.

Read more about the woodland creation projects in our **Meaningful Impact Report**

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES.

Read about our **purpose** on **page 01**

IP Group's carbon footprint and overall exposure to climate risk is low. Through our investments we have a huge opportunity to lead in the transition away from fossil fuels and enable organisations and governments to meet their Net Zero goals and achieve a balance in greenhouse gasses produced with that taken out, sooner, and support the Paris Agreement on climate. Science, technology, and innovation, combined with funding, have also been identified by the UN as one of the main "means of implementation" for achievement of the 2030 SDG agenda, which includes climate change.

We are well positioned on each of the four elements of climate-related financial disclosures recommended by the TCFD. We see these disclosures as an important journey for all organisations and we are committed to continuing to make progress on them.

Governance

Our Board and various Committees ensure active and ongoing oversight of the Group's management of climate-related risk and opportunities.
See page 73.

Strategy

Climate-related risks and opportunities are integrated into our broader Group-level strategy and operational processes. Our Group's strategy, taking into consideration different climate-related scenarios is resilient. Our Group's purpose focuses us on impact and we back and support businesses that will meaningfully contribute to a healthier, tech-enriched, and regenerative future, including businesses whose technologies support action on climate.
See page 74.

Risk Management

We adopt a multifaceted approach to understanding potential risks to our business and portfolio companies and ensuring that appropriate mitigations and controls are enacted for material issues. Climate-related risks are an important part of these efforts.
See page 80.

Metrics and Targets

We have reduced our overall operational emissions by various strategies, including the implementation of remote working, moving offices to more sustainable premises, undertaking business travel only when necessary, and working with our suppliers to reduce Scope 3 emissions. Overall, our total operational emissions (tCO_2e) have fallen by 87% to 127 from our 2019 base year total of 974. We continue to make efforts reduce emissions by more than 90%.
See page 82

A summary of our compliance with the recommended disclosures can be found on page 83 to 84.

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES.

GOVERNANCE

Our approach to ESG and responsible investment and our related policies are overseen by the Board of Directors. Accountability for climate risk and strategy rests with Executive management. Our investment process considers ESG matters using our Ethical Investment Framework ("EI Framework"), which is overseen by our Ethics Committee. We have quarterly meetings (or on an ad hoc basis when required) of the ESG Committee, the Ethics Committee, and our Responsible Investment Working Group. The role of the different groups is described in the table right and our governance structure for all aspects of ESG, including climate, can be found on page 68.

We understand that operating and investing responsibly requires a strengthened focus on climate change, particularly with respect to risks and opportunities that may have a material impact on the Group and our wider portfolio. We have in place reporting processes to ensure that climate-related risks and opportunities are identified and communicated to management and Board level at the earliest opportunity.

Committee mandates and responsibilities

Committee name	Mandate and scope of responsibilities	Frequency of reporting to the Board
Board	The Board of Directors oversees the implementation and execution of the Group's ESG strategy. The ESG Committee includes two members of the Board, who take an active part in the functioning and duties of the ESG Committee. The Head of ESG also provides regular updates to both the Board and to the Executive Committee. Key matters pertaining to ESG and climate-related risks are discussed at the Executive Committee and at Board, and any decisions are recorded in the minutes.	Quarterly
ESG Committee	The ESG Committee defines the Group's ESG risk policy, reviews climate risks, monitors adherence to climate risk tolerance, and reviews all key climate related issues and exposures. The ESG Committee also oversees related policies, programmes, targets and performance metrics. It reviews IP Group's responsible investing frameworks, including those that consider climate risks and opportunities. Commit-tee members include IP Group's Investment Directors, the CEO and CFOO. There is a clear line of escalation to the Executive Committee and the Board.	Quarterly
Ethics Committee	Our Ethics Committee reflects the importance placed on ethics and how we conduct our business. The Ethics Committee is chaired by an independent external chair and oversees the Group's ethics framework, which is our guiding star on conduct with respect to our clients, employees, partners and our communities.	Bi-annually
Responsible Investment Working Group	The Responsible Investment Working Group oversees the integration of ESG factors within the Group's portfolio, as well as the collection of data with respect to ESG and climate-related factors.	Quarterly

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES.

STRATEGY

Our approach to assessing and managing climate-related risks and opportunities

IP Group carries out a climate risk and opportunities analysis of its operations and those of the top 20 companies in the portfolio on an annual basis. The methodology used within this climate risk and opportunities analysis aligns to the TCFD recommendations and reporting framework.

Analysis approach

1. **Materiality analysis**: map materiality analysis of risk and opportunity likelihood and magnitude
2. **Scenario analysis**: model and detail potential high-impact risks and opportunities over the short, mid, and long term, aligned with the Network for Greening the Financial System ("NGFS")
3. **Gap analysis**: determine the maturity of disclosure frameworks and focus areas for TCFD implementation in coming years (currently underway)
4. **Disclosure**: summarise key findings and development plans

Transition risks and physical risks are scored following the best practice methodology advocated by the Intergovernmental Panel on Climate Change ("IPCC") to provide an indication as to the materiality of each risk over near-term (<5 years) and long-term (>5 years) time horizons. The magnitude and likelihood of each risk is considered across three climate scenarios proposed by NGFS.

- **Orderly Transition Scenario**. This scenario represents early and decisive global policy action to limit greenhouse gas emissions
- **Disorderly Transition Scenario**. This scenario represents delayed, disruptive, sudden and/or unanticipated global policy action to limit greenhouse gas emissions
- **Hot House World Scenario**. This scenario represents insufficient global policy action to limit greenhouse gas emissions, leading to a hot house world with significant global warming and, as a result, significantly increased exposure to physical risks

The term risk signifies the possibility of adverse effects in the future, driven by the occurrence of a hazard. The level of vulnerability to risk is determined using three dimensions: exposure, sensitivity, and capacity to adapt. Sensitivity reflects the predisposition of organisations, assets, societies, processes, or systems to be adversely affected by risk. Capacity to adapt refers to characteristics or actions that may reduce the level of risk posed by a hazard and thereby alleviate vulnerability.

The capacity to adapt is considered in recognition of the two overarching TCFD climate-related risk categories:

- **Adaptive capacity** – the ability of organisations, assets, societies, processes, or systems to alleviate the level of physical risks through actions and transition capacity; and the ability of organisations, assets, societies, processes, and systems to alleviate the level of transition risks through actions
- **Vulnerability** – which is determined as a function of risk exposure, sensitivity, and adaptive/transition capacity, is, therefore, the degree to which organisations, assets, societies, processes, or systems will be negatively affected by risk, or have the propensity to be negatively affected

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES.

STRATEGY

The Group's strategy with respect to climate change is underpinned by our purpose, which focuses us on impact, including investing in technologies and innovative solutions that will accelerate the move to a decarbonised planet.

- Our core portfolio strongly aligns with climate-related financial opportunities associated with energy transformation strategies, energy reduction strategies and water reduction strategies, which will become increasingly prevalent in building climate-resilient economies
- We expect to see these opportunities increase with the growing proliferation of corporate decarbonisation strategies and overall societal decarbonisation. These portfolio companies can, therefore, capitalise on market- and product-related opportunities with minimal to no adjustment to their existing business models, brands or skillsets.

Through our decisions we seek to also reduce our own operational emissions and introduce frameworks to our portfolio companies that will enable them to do the same.

We see three global themes relevant to our portfolio:

Global themes

01	02	03
Increasing societal imperative for a regenerative world	**Increasing climate regulation**	**Increasing capital flow into climate transition technologies**
Societal imperative to limit global climate warming to 1.5°C, accelerating the demand for changes in industry structure and social and economic reforms	Increasing global regulation around decarbonisation and caps on carbon and GHG emissions	Increasing capital flow from private and public sectors into clean technology and supporting infrastructure

Our opportunity

The changing landscape offers a sizable opportunity for IP Group to not only do good but also realise value for stakeholders via the Group's long-term investment strategy, which seeks to address societal needs of the future including climate change.

Our climate-related risks and opportunities

Risks and resilience

To determine our climate risk exposure, we conducted a scenario analysis based on the methodologies described on page 74 to understand the impact of climate change on the business models of our portfolio companies.

We conducted analysis to estimate the short-term impact of climate change for both market risk and credit risks using climate scenarios published by NGFS. As a result of our analysis, we believe that the impact of climate change on the Group's finances will be limited.

Once the relevant risks were identified:

- Estimated climate risk to IP Group's direct operations and probability was assigned from small to significant, with the results shown in the matrix on page 76.
- Mitigation measures were designed and put in place to address any risks identified, and to allow for resilience to any potential risks.

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES.
STRATEGY

Summary of key risks

KEY ● Small risk ● Significant risk

Risk description	Climate scenario: Orderly Transition	Climate scenario: Disorderly Transition	Climate scenario: Hot House World	Mitigation measures
IP Group plc: Policy/legal risk from increasingly stringent reporting requirements around climate risk, including TCFD and SECR. *TCFD Risk category: Policy and Legal Risks (Transition Risks)*	Significant risk	Significant risk		Ensure robust climate governance structure is in place, which appropriately manages climate risks throughout the organisation, including specifying which climate considerations should be considered as part of pre-investment due diligence.
IP Group plc: Risk of failing to incorporate climate change fully into investment screening and due diligence process. *TCFD Risk category: Market Risk and Reputation Risk (Transition Risks)*	Small risk	Significant risk	Significant risk	Formalise the incorporation of climate change specific risk screening questions in the pre-investment due diligence process.
IP Group plc: Business interruption because of extreme weather events taking electricity or telecommunications networks offline. *TCFD Risk category: Acute Risk and Chronic Risk (Physical Risks)*		Small risk	Significant risk	Develop back up and resiliency plans which account for potential impacts of climate change.
Portfolio: Risk of supply chain disruption which limits the availability of component parts required for manufacturing for certain companies. *TCFD Risk category: Acute Risk and Chronic Risk (Physical Risks)*	Small risk	Significant risk	Significant risk	Support portfolio companies to review supplier sourcing strategies; encourage companies to develop contingency plans for when one supplier is affected; and encourage companies to avoid over concentration of risk with key suppliers.
Portfolio: Risk of increased cost of raw materials and production costs. *TCFD Risk category: Acute Risk and Chronic Risk (Physical Risks)*		Small risk	Significant risk	Support portfolio companies to explore whether certain inputs can be substituted for others that may be more cost effective or have higher availability; and encourage portfolio companies to develop diversified supplier sourcing strategies.
Portfolio: Risk of product failure due to extreme weather conditions driven by climate change for companies with products operating in harsh environments exposed to extreme weather conditions. *TCFD Risk category: Acute Risk and Chronic Risk (Physical Risks)*		Small risk	Significant risk	Review product design and testing with portfolio companies that may be exposed to this risk.
Portfolio: Reputational risks associated with the decommissioning, recycling and non-recyclable waste associated with renewable energy products and/or energy storage systems e.g. fuel cells and batteries. *TCFD Risk category: Policy and Legal Risks, Reputational Risks (Transition Risks)*	Significant risk	Significant risk	Significant risk	Support portfolio companies to develop business models and strategies that reduce waste, and encourage re-use and facilitate recycling.
Portfolio: Risks to product deployment where companies are exposed to harsh weather conditions that may be exacerbated by climate change. *TCFD Risk category: Acute Risk and Chronic Risk (Physical Risks)*			Significant risk	Support portfolio companies where this risk may apply to factor climate conditions into product design and testing.

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES.
STRATEGY

Mitigation

At Group level, we have strengthened our governance and due diligence process. We have also developed a playbook for business resiliency to respond to business interruption caused by extreme weather events. At a portfolio level, we are implementing a programme of increased engagement and support to our portfolio companies, with their broader approach to climate risks and opportunities.

Portfolio companies with transition or physical risk scores over defined thresholds of over 60 (out of a score of 100)

	SCENARIO					
	Orderly Transition		Disorderly Transition		Hot House World	
Time horizon	Near term (<5 years)	Long term (>5 years)	Near term (<5 years)	Long term (>5 years)	Near term (<5 years)	Long term (>5 years)
Companies with transition or physical risk score >60/100.	–	–	–	–	–	3

Three 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.

No company in the portfolio scored over 45/100 (below the 60 score threshold that we had set) for transition risks, over both near and long-term time horizons.

In summary, our portfolio analysis exercise found no "red flags", but three companies were flagged as being more predisposed to physical risks than others and are more likely to experience adverse effects from climate-related risk in a Hot House World.

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES.
STRATEGY

Opportunities

IP Group's portfolio is well positioned to benefit from the transition to a lower carbon economy because of the large number of companies in our portfolio whose core technology and/or product offering responds to likely demand growth as the world decarbonises. This is particularly true of holdings in the cleantech sector. Technologies backed by the Group, include renewable energy, hydrogen, electric mobility, and energy storage.

Categorising our opportunities

The matrix (right) categorises the key environmental themes over the long term, where we feel we have the most opportunity to build and grow, based on our core competencies and expertise.

Climate-related R&D and innovation, expansion of low emission goods and services across the portfolio, and successful investment in new technologies were identified as the most material opportunities for IP Group.

Climate-related opportunities were identified using opportunity scores based on two dimensions:

- The size of the opportunity
- The ability to execute the opportunity

Opportunity scores were given to companies in the portfolio where the core technologies and products of the company aligned with climate-related opportunities. When applying this scoring methodology to our top holdings, 37 portfolio companies were rated "high" in both opportunity size and execution capability.

Opportunity categories	Opportunity context	TCFD categories
Low carbon energy generation	We expect to see continuing increase in demand for low carbon energy generation such as fusion energy as the world transitions to zero carbon. We also expect to see significant demand for small-scale, localised wind energy generation. *Portfolio companies in this category: First Light Fusion, Spinetic Energy*	• Products and services • Markets • Energy source
Energy use reduction	In addition to a different energy paradigm, there will also be a drive for reduction and efficiency in energy usage. This will be from both a retail perspective as homeowners seek to lower their energy costs and reduce emissions as well as in industrial applications and the transport sector. *Portfolio companies in this category: Helio Display Materials, Mixergy*	• Products and services • Markets • Resource efficiency
Energy storage	There will be growing need for storing various forms of renewable energy from solar, wind and hydrogen. We see a significant opportunity as demand for fuel cell technology grows and we expect the demand for low cost and long duration fuel cell storage will grow significantly as the world decarbonises and electric vehicles proliferate. *Portfolio companies in this category: RFC Power, Bramble Energy*	• Products and services • Markets • Resource efficiency
Carbon capture	There will be increasing demand for emissions reduction technologies including carbon capture. *Portfolio companies in this category: C-Capture*	• Products and services • Markets • Resource efficiency
Water availability	Water availability will become increasingly uncertain in the future, particularly under warmer climate scenarios. Many locations across the globe will experience an increase in water scarcity resulting in growing demand for technologies that help in the conservation, cleaning and filtering of water. *Portfolio companies in this category: Xeros Technology Group (A company that was co-founded by IP Group)*	• Products and services • Markets • Resource efficiency

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES.
STRATEGY

Integrating climate risks and opportunities into businesses, strategy, and financial planning

Any climate risks and opportunities that are identified are assessed in terms of how they may affect the Group's business model and performance.

We have established two key strands in integrating climate risks and opportunities into business strategy and financial planning.

Strand 1: Reduce and mitigate climate risk

We collate key findings and learnings from the assessments that we undertake with respect to our operations and portfolio. Any key risks are integrated into our Risk Register Framework, with a view to strengthening our resilience, mitigation, and adaptation responses.

New issues relating to climate and other ESG factors are discussed at the ESG Committee and escalated to the Executive Committee or the Board as appropriate. A materiality assessment is carried out, where we engage with external stakeholders to better understand the issues that are of most concern to them. For each issue, the assessment rates the degree of stakeholder concern and potential business impact.

Strand 2: Capitalise on climate opportunities

Growing interest in climate change and the transition to a low carbon world is expected to lead to stronger demand from investors for solutions that genuinely provide long lasting impact for people and the planet. Of the assessed companies in the portfolio of our 25 most material companies, 13 of the 25 companies analysed (46%) are companies associated with cleantech and are developing new technologies to meet the predicted demand for energy transformation, storage, and carbon reduction.

Summary

- There were no red flags identified and overall climate risk at Group and portfolio level is low
- Climate-related R&D and innovation, expansion of low emission goods and services across the portfolio, and successful investment in new technologies were identified as the most material opportunities for IP Group
- The portfolio is well positioned to benefit from the transition to a low carbon world due to its low exposure to climate-related risks and because of the large number of companies whose core technology and/or product offering address opportunities for energy transition

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES.

RISK MANAGEMENT

Levers to managing our climate-related risks

Lever 1: Risk review

- As described on page 74 a review of climate-related risks and opportunities is performed to identify material risks. The ESG Committee reviews findings and coordinates any mitigation plans and strategies identified as being required. If necessary, issues will be escalated to the Audit and Risk Committee or the Board
- We perform a company-wide risk assessment, which looks at the exposure of the firm and portfolio companies to transition and physical risk, under various scenarios looking at short, medium, and long-term time horizons. See page 74
- A business impact analysis is conducted on each business line and its attached activities to determine the impact potential of various disruption scenarios such as unavailability of premises, of people, of IT or of suppliers
- We evaluate material ESG risks, including climate-related risk, during our regular reviews with portfolio managers to provide oversight over their consideration of these risks in their investment processes. This helps to ensure that such risks are understood, deliberate and consistent with objectives
- The Board reviews ESG risks, including climate-related risk, exposure at the portfolio level, providing rigour and consistency across our diverse investment portfolio, while seeking to ensure that risk taking is deliberate, diversified and scaled

Lever 2: Scenario analysis

IP Group applies the three references from the NGFS as a framework for considering climate change risks over different scenarios. The NGFS is a group of approximately 121 members (including the Bank of England and United States Federal Reserve) mobilising mainstream finance to support the transition towards a sustainable economy. The assessment of climate-related risks is done using the NGFS scenarios to determine the potential impact of issues over various time horizons.

- Orderly scenarios assume climate policies are introduced early and become gradually more stringent. Both physical and transition risks are relatively subdued
- Disorderly scenarios explore higher transition risk due to policies being delayed or divergent across countries and sectors. Carbon prices are typically higher for a given temperature outcome
- Hot House World scenarios assume that some climate policies are implemented in some jurisdictions, but global efforts are insufficient to halt significant global warming. Critical temperature thresholds are exceeded, leading to severe physical risks and irreversible impacts like sea-level rise

Lever 3: Landscape scanning

IP Group also undertakes an external scanning exercise to determine any critical elements that may have a negative impact on portfolio companies, in the form of:

- Climate regulations
- Carbon pricing
- Additional disclosures and reporting requirements

Managing climate-related risks

Given limited risk to the Group itself, IP Group has increasingly focused on stewardship of the portfolio to ensure that investee companies are mindful of issues such as climate change and strong governance. We recognise the importance of ensuring that the businesses we help create comply with all applicable environmental, ethical, and social legislation. Furthermore, our direct involvement in many of these companies allows greater scope to engage with their management teams and offer guidance.

- We engage with portfolio companies to assess and validate their approach to climate risk and any potential impact to their business model
- The monitoring of climate issues is done via direct engagement with our portfolio companies at revenue stage, using the NGFS scenarios. The Responsible Investment Working Group will highlight any specific risks pertinent to the portfolio

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES.

RISK MANAGEMENT

Integration of climate-related risks into our overall Group risk processes

- An internal risk register is maintained to capture and review key climate related and broader ESG risks. There are regular reviews to assess the design and ongoing effectiveness of internal controls over the Group's key risks, which includes an assessment of the operating effectiveness and appropriateness of the controls in place. Risk management activity in the year included refreshing the Group's key risk register
- 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 ESG Committee 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 ESG Committee is chaired by the CEO, with representation from our operational and investment teams
- There is a "look back" review to assess key issues over the year and incorporate learnings into IP Group's broader governance structure and framework
- During 2022, 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. In doing so, we supported the Board in the exercising of its responsibilities relating to risk management

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES.

METRICS AND TARGETS

GHG emissions

The methodology used to determine the Group's greenhouse gas (GHG) emissions is the 'Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard' (revised edition). 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 tCO_2e.

Scope 1: IP Group does not own or operate vehicles, infrastructure, real estate, boilers, or power generators. The Group therefore, does not produce direct GHG emissions which would be Scope 1 emissions.

Scope 2: Scope 2 emissions are reported as "location based" based on the emissions intensity of the local grid area where the electricity usage occurs. The Group's Scope 2 emissions in 2022 were 24 tCO_2e.

Scope 3: Scope 3 encompasses indirect GHG emissions in IP Group's value chain. These emissions arise from the Group's business travel and commuting. The Group's Scope 3 emissions in 2022 were 103 tCO_2e. The Group does not currently collate data on financed emissions.

The Group does not generate significant quantities of waste in the delivery of services that create material sources of emissions.

We also use the following emission intensity calculations to monitor progress:

Intensity calculation	2022 data
tCO_2e/FTE (full time equivalent employee)	1.46
tCO_2e/m^2 (of office space)	0.15

Our total GHG emissions (tCO_2e) have fallen by 87% to 127 from our 2019 base year. We continue to make efforts to continue this reduction to over 90%.

We are also progressing the capture of operational emissions data from our portfolio companies.

Read our **GHG emissions disclosure** on **page 70**

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES.

COMPLIANCE WITH TCFD RECOMMENDATIONS

IP Group considers climate-related risk to be financially immaterial in the context of the Company's overall financial statements.

IP Group has complied with the requirements of LR 9.8.6R by including climate-related financial disclosures consistent with the TCFD recommendations and recommended disclosures other than the instances noted in the table below where we have partially complied with the requirements. The table below describes our compliance with each area of the disclosure and where this information can be found in this Annual Report.

	Recommendation	2022 disclosure level	Reference	Further work planned in 2023
Governance Disclose the organisation's governance around climate-related risks and opportunities.	a. Describe the Board's oversight of climate-related risks and opportunities.	●	Page 73	• We have separate ESG Committee, which specifically focuses on ESG matters, including climate-related risk • The ESG committee includes two members from the Board, and any climate-related risks are escalated to the Board in a timely manner • Management is apprised of ESG considerations, including climate-related risks via regular updates
	b. Describe management's role in assessing and managing climate-related risks and opportunities.	●	Page 73	
Strategy 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.	a. Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.	●	Pages 76 to 78	• There were no red flags identified and overall climate risk at Group and portfolio level is low • Climate-related R&D and innovation, expansion of low emission goods and services across the portfolio, and successful investment in new technologies were identified as the most material opportunities for IP Group • The portfolio is well positioned to benefit from the transition to a low carbon world due to its low exposure to climate-related risks and because of the large number of companies whose core technology and/or product offering address opportunities for energy transition
	b. Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	●	Page 79	
	c. Describe the resilience of the organisation's strategy. Taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	●	Page 79	• Despite our relatively low risk profile with respect to climate change, we take climate change seriously and endeavour to follow leading practice with respect to climate change risk mitigation and management

DISCLOSURE LEVEL KEY

- ● Full
- ◔ Partial
- ○ Omitted

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES.
FINANCIAL DISCLOSURES

	Recommendation	2022 disclosure level	Reference	Further work planned in 2023
Risk management Disclose how the organisation identifies, assesses, and manages climate-related risks.	a. Describe the organisation's processes for identifying and assessing climate-related risks.	●	Page 74	• The methodology used within this climate risk and opportunities analysis aligns to the TCFD recommendations and reporting framework • Any risks that are identified are escalated as appropriate to the relevant function, committee, or Board, for a considered risk mitigation and management strategy and approach • The overall climate-related controls are embedded into the broader ESG governance and committee structure and monitored via an internal risk register
	b. Describe the organisation's processes for managing climate-related risks.	●	Page 81	
	c. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	●	Page 81	

Metrics and targets Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where the information is material.	a. Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management processes.	●	Page 82	• The metrics we use are:
				  • tCO_2e/FTE (full time equivalent employee)
				  • tCO_2e/m^2 (of office space)
				• As our overall emissions are very low, an intensity ratio allows us to better gauge our energy efficiency and overall strategy to increase energy efficiency, as well as compare our energy intensity to that of peers
				• Scope 1 does not apply to us
				• We disclose Scope 2. We disclose for our operational boundary
				• We disclose business travel and commuting as part of Scope 3
				• We have reduced our emissions within our direct operational boundary by over 80% from our 2019 base year
				• We do not currently have explicit targets and are exploring different approaches to meaningfully further reduce our emissions, prior to setting additional targets
				• For Scope 3, the Group does not currently collate data on financed emissions but we intend to do so in future

	b. Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 GHG emissions, and the related risks.	◔	Pages 70 and 82	
	c. Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	◔	Page 80	

DISCLOSURE LEVEL KEY

● Full

◔ Partial

○ Omitted

RISK MANAGEMENT.

Managing risk: our framework for balancing risk and reward

Governance

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

Risk management process

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

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

During 2022, the Risk Council has continued to build on the Group's existing risk management framework, enhancing risk management and internal control processes and working with PwC in an outsourced internal audit capacity, and in doing so supported the Board in exercising its responsibility surrounding risk management. The Risk Council has continued to support the Board in exercising its responsibility surrounding risk management through its regular meetings.

The risk management activity in the year included updating the Group's risk appetite statements and key risk indicators incorporating the updated Group strategy launched in the year, refreshing the Group's existing operational, strategic, and principal risk registers, performing a full refresh of the key controls and an assessment of the strategic risks and the appropriateness of our principal risks.

The Group adopted a "Cyber Response Guide" and "Strategic Ransomware Response Playbook" in December 2021 detailing how the Group would respond to a cyber crisis following a project led by the Risk Council to address the growing threat of cyber-attacks. In 2022, the Risk Council facilitated extensive one-to-one and group training sessions for all those individuals identified in the Group's Cyber Response Guide as having a role in driving the Group's business response to such an incident.

Read about the **Audit and Risk Committee** on pages 163 to 171

> Our risk management framework ensures that risk exposure is balanced with our ability to achieve our strategic objectives.

David Baynes
Chief Financial and Operating Officer

RISK MANAGEMENT.

In total, the Group's response team, led by the CFOO, took part in three simulations in the year to embed the response plans and practice senior leadership's readiness. Two of these simulations were externally facilitated. Each simulation saw response teams react well to increasingly difficult scenarios; however areas for improvement have been identified and the Risk Council is leading the implementation of the actions identified that focus on increasing our internal communications capacity and a commitment to more regular and increasingly challenging training simulations. In addition, the Risk Council provided training to all staff on what a cyber-attack might look like and the appropriate steps to take if they identify signs of a compromise.

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

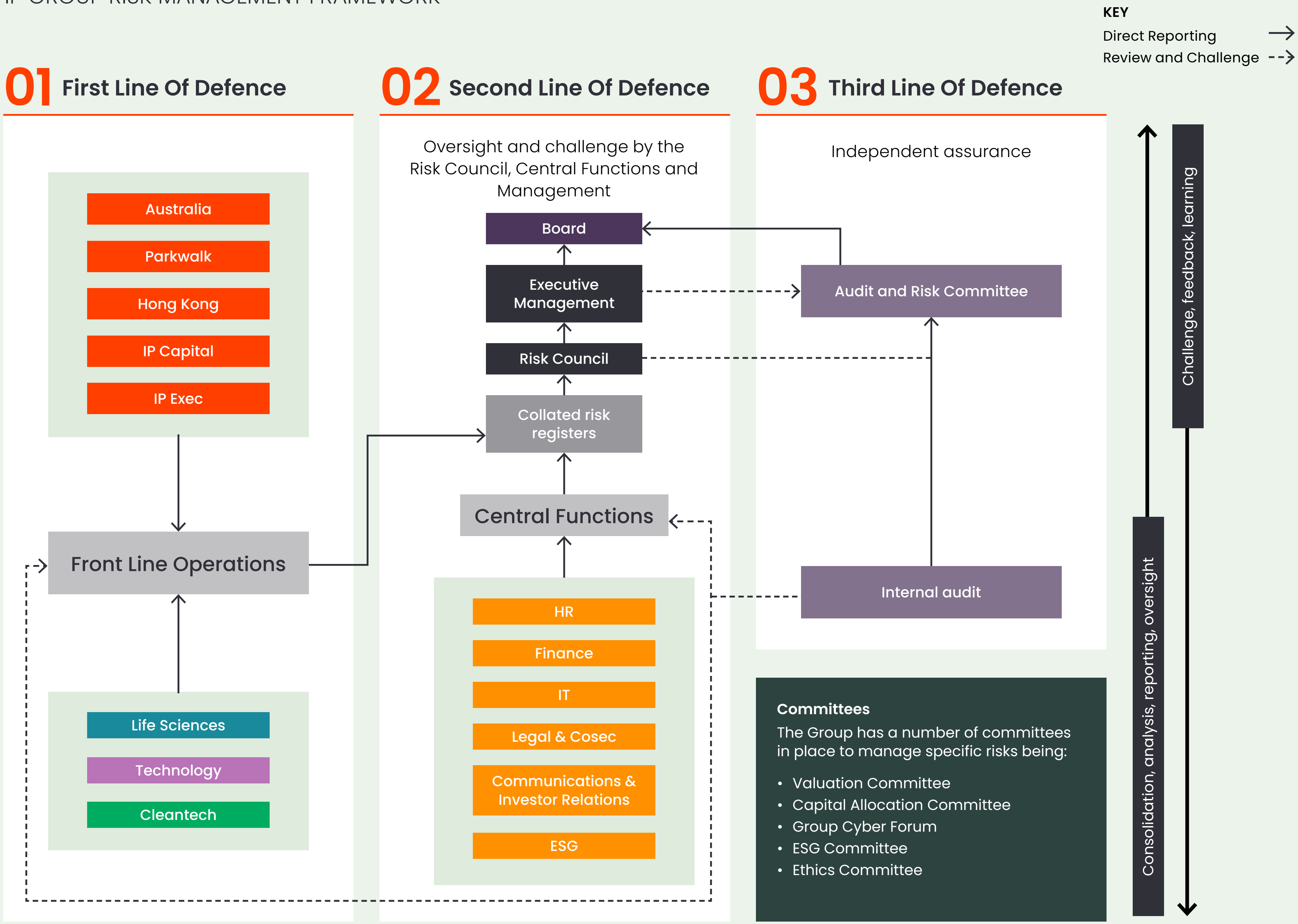
Other projects in the year included monitoring the set-up of an RMB fund from ICCV, the Group's joint venture with China Everbright, to be operated by the Group's Hong Kong subsidiary, reviewing risk management disclosures in the annual report and accounts, updating the Group's Business Continuity Plans,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

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

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

RISK MANAGEMENT.

IP GROUP RISK MANAGEMENT FRAMEWORK



Committees

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

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

RISK MANAGEMENT.

Emerging risk

The Group's management and Board regularly considers emerging risks and opportunities, both internal and external, which may affect the Group in the near, medium, and long term. The Board considered this subject in detail at its annual risk workshop at the Board Strategy Day in November and continue to consider emerging risks throughout the year. Set out to the right 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 economic and geopolitical environment has changed dramatically since the beginning of 2022 and the Group is now operating against a backdrop of greater geopolitical instability, surging inflation recorded at 9.2% in December 2022 down from its peak of 11.1%in the year, and the potential for a global recession. The volatility in capital markets has continued, most notably interest rate rises, which have particularly impacted growth and technology stocks, such as IP Group and its portfolio.

Cyber and IT security

Cyber and IT security continue to be areas of risk for the Group and its portfolio as we continue to invest in intellectual property-based portfolio companies, which could be targets for hackers or competitors and the regulatory landscape, which is evolving rapidly around data security and the increasing powers of regulators to impose significant fines on companies who inadvertently breach legislation such as GDPR. The industry saw an increase in cyber-attacks in 2022 and it is against this backdrop that the Group continued to increase its investment in mitigating controls, staff training and cyber incident exercising to support our response to this risk area.

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 about **climate change risks** on **page 74**

Access to talent and diversity

The industry in which the Group operates is a specialised area and the Group requires highly qualified and experienced employees to deliver its strategy. The Group's access to the right talent is, therefore, of paramount importance. Increasing shortages across the full spectrum of the labour market seen in recent years and trends such as the "Great Resignation" were considered by the Board and access to alternative pools of talent and engaging with those pools of talent was discussed.

Read about **talent and diversity** on **page 58**

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 that has the potential to have positive impacts on the environment and the Group is well positioned to take advantage of the changing preferences of governments, businesses and individuals.

In addition, IP Group reported against the TCFD recommendations in monitoring risks and opportunities to the business as presented by climate change.

Read our **TCFD disclosure** on **pages 72 to 84**

RISK MANAGEMENT.

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 in this section. Further discussion of the Group's approach to principal risks and uncertainties is given on page 127 of the Corporate Governance Statement and pages 168 to 169 of the Audit and Risk Committee report, while further disclosure of the Group's financial risk management is set out in note 3 to the consolidated financial statements on pages 198 to 201. Following the 2022 annual review process, the heatmap below describes the relative potential risks posed by each of the Group's identified principal risks i.e. how the principal risks are ranked against each other.

Consideration of risk appetite

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

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

Risk appetite ratings defined:

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

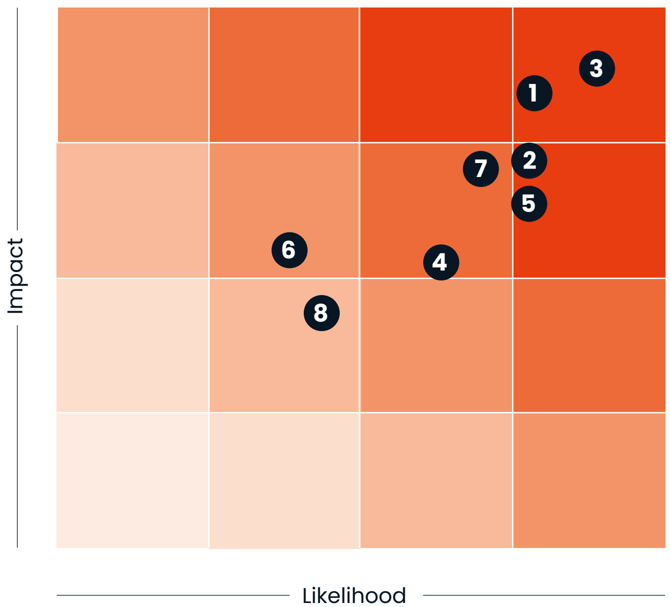
Very high
Pursuing high-risk, inherently uncertain options that carry with them the potential for high-level rewards

Read about the **Audit and Risk Committee** on pages 163 to 171

Principal risks

1. Insufficient capital: plc
2. Insufficient capital: portfolio
3. Insufficient returns
4. People
5. Macro-economic environment
6. Legislation/regulation
7. Cyber and IT Security
8. Operations including international operations

2022 principal risk



RISK MANAGEMENT.

PRINCIPAL RISKS AND UNCERTAINTIES

01 It may be difficult for the Group to maintain the required level of capital to continue to operate at optimum levels of investment activity and overheads

The Group's business has historically been reliant on capital markets, particularly those in the UK; however, the Group's business model is moving towards self-sustainability with realisations from the portfolio funding the Group's ongoing capital needs. The ability of the Group to raise further capital through realisations, or potentially through equity issues or debt, is influenced by the general economic climate and capital market conditions, particularly in the UK.

Link to strategy

Access to sufficient levels of capital allows the Group to invest in its investment assets, develop early-stage investment opportunities and invest in its most exciting companies to ensure attractive future financial returns.

Actions taken by management

- The Group has significant balance sheet capital and managed funds capital to deploy in portfolio opportunities
- The Group regularly forecasts cash requirements of the portfolio and ensures all capital allocations are compliant with budgetary limits, treasury and capital allocation policies and guidelines and transaction authorisation controls
- The Group ensures that minimum cash is available to maintain sufficient headroom over debt covenants and regulatory capital requirements

Risk appetite

Examples of risk

- The Group may not be able to provide the necessary capital to key priority assets, which may affect the portfolio companies' performance or dilute future returns of the Group
- The Group may not be able to realise capital from its portfolio to fund the desired level of investment activity in the portfolio

Development during the year

- The Group created a key role to develop greater levels of access to strategic third-party capital in 2022. The Group appointed a Managing Director of Global Capital following a robust process of role definition and recruitment an appointment was made in December 2022
- The Group's share price continued to trade below NAV during the year. The Group completed a share buyback programme to purchase its own shares up to an aggregate consideration of £35m and announced interim and final dividends of 0.5p and 0.76p per share respectively
- A sub group of the Executive Committee met regularly throughout the year to oversee workstreams focused on narrowing the gap between NAV and the share price
- Perception study completed in the year
- Debt placement of £120m
- Capital allocation group met monthly in 2022 responding to the volatile capital market environment
- The quoted portfolio value reduced by £428.5m in the year

Change from 2021

KEY

STRATEGIC PILLARS

Have an impact on the world that counts

Develop our unique insights, expertise and access

Accelerate value creation

Build a truly differentiated reputation

Be a home for exceptional talent

CHANGE FROM 2021

Increase

Decrease

No change

RISK APPETITE

Very low

Low

Balanced

High

Very High

RISK MANAGEMENT.

PRINCIPAL RISKS AND UNCERTAINTIES

02 It may be difficult for the Group's portfolio companies to attract sufficient capital

The Group's portfolio companies are typically in their development or growth phases and, therefore, require additional capital to continue operations. While a proportion of this capital will generally be forthcoming from the Group, subject to capital allocation and company progress, additional third-party capital will usually also be necessary. The ability of portfolio companies to attract further capital is influenced by their financial and operational performance and the general economic climate and trading conditions, particularly (for many companies) in the UK.

Link to strategy

Access to sufficient levels of capital allows the Group's portfolio companies to invest in its technology and commercial opportunities to ensure future financial returns.

Actions taken by management

- The Group operates a corporate finance function, which is experienced in carrying out fundraising mandates for Life Sciences and Tech portfolio companies
- The Group maintains close relationships with a wide variety of co-investors that focus on companies at differing stages of development
- The Group regularly forecasts cash requirements of the portfolio and monitors those with a heightened funding risk
- Parkwalk Advisors continues to have independent investment decision making and is anticipated to continue to be an important co-investor with the Group, supporting shared portfolio companies

Risk appetite

Examples of risk

- The success of those portfolio companies that require significant funding in the future may be influenced by the market's appetite for investment in early-stage companies, which may not be sufficient
- Failure of companies within the Group's portfolio may make it more difficult for the Group or its spin-out companies to raise additional capital

Development during the year

- IP Group hosted two portfolio company events in 2022 to showcase the Group's portfolio companies. These included a virtual Deeptech showcase and an investor update to highlight three of IP Group's focus companies, Istesso Ltd, First Light Fusion Ltd and Featurespace Limited
- Continued management of an A$310m trust and a separate mandate for A$45m for an Australian Super Fund which has a mandate to co-invest with IP Group plc portfolio companies. In the year, six Group portfolio companies received funding from these investment vehicles. Total assets at the end of the year for the managed trust totalled A$199.7m
- Submitted an application for regulatory permissions in Hong Kong for a licence to raise capital from Hong Kong
- Parkwalk raised £64m in 2022 and had total AUM of £478m at the end of 2022

Change from 2021

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Very low

Low

Balanced

High

Very High

RISK MANAGEMENT.

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

Link to strategy

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

Actions taken by management

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

Risk appetite

Examples of risk

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

Development during the year

- The Group's portfolio companies raised approximately £1.0bn of capital in 2022
- Excluding the Oxford Nanopore holding, the Group held board seats on 74.0% of portfolio companies valued at greater than £5m by value
- The Group hired two investment professionals across the Deeptech, Cleantech and Life Sciences sectors in 2022. Three investment professionals left the business, of which two took up senior roles at IP Group portfolio companies

Change from 2021

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Decrease

No change

RISK APPETITE

Very low

Low

Balanced

High

Very High

RISK MANAGEMENT.
PRINCIPAL RISKS AND UNCERTAINTIES

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

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

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

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

Risk appetite

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

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

Change from 2021

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Increase

Decrease

No change

RISK APPETITE

Very low

Low

Balanced

High

Very High

RISK MANAGEMENT.

PRINCIPAL RISKS AND UNCERTAINTIES

05 Macroeconomic conditions may negatively impact the Group's ability to achieve its strategic objectives

Adverse macroeconomic conditions could reduce the opportunity to deploy capital into opportunities or may limit the ability of such portfolio companies to receive third-party funding, develop profitable businesses or achieve increases in value or exits. Political uncertainty, including impacts from Brexit, the COVID-19 pandemic or similar scenarios, could have a number of potential impacts, including changes to the labour market available to the Group for recruitment or regulatory environment in which the Group and its portfolio companies operate.

Link to strategy

The Group's strategic objectives of developing a portfolio of commercially successful portfolio companies and delivering attractive financial returns on our assets and third-party funds can be materially impacted by the current macroeconomic environment.

Actions taken by management

- Senior management receive regular capital market and economic updates from the Group's capital markets team and its brokers
- Monthly capital allocation process and on-going monitoring against agreed budget
- Regular oversight of upcoming capital requirements of portfolio from both the Group and third parties
- The Group's Risk Council conducts horizon scanning for upcoming events that may impact the Group

Risk appetite

Examples of risk

- The success of those portfolio companies that require significant external funding may be influenced by the market's appetite for investment in early-stage companies, which may not be sufficient
- Of the Group's portfolio value, 18.1% is held in companies quoted on public markets and decreases in values to these markets could result in a material fair value impact to the portfolio as a whole

Development during the year

- Macroeconomic and geopolitical conditions remain uncertain in the UK. Inflation peaked in the year at 11.2% in the UK and interest rate rises were seen across the UK, Eurozone, US and elsewhere, ending an era of low interest rates. The market anticipates further increases to interest rates in the short term, albeit at a slower rate than seen in 2022 and continued challenges to economic growth in the short and medium term
- The Group has maintained significant cash reserves and agreed a debt placing in 2022 raising an additional £120m available for investment and as such is well placed to respond to macroeconomic uncertainty

Change from 2021

KEY

STRATEGIC PILLARS

- Have an impact on the world that counts
- Develop our unique insights, expertise and access
- Accelerate value creation
- Build a truly differentiated reputation
- Be a home for exceptional talent

CHANGE FROM 2021

- Increase
- Decrease
- No change

RISK APPETITE

- Very low
- Low
- Balanced
- High
- Very High

RISK MANAGEMENT.
PRINCIPAL RISKS AND UNCERTAINTIES

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

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

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

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

Risk appetite

Examples of risk
- Changes could result in universities and researchers no longer being able to own, exploit or protect intellectual property on attractive terms
- Changes to tax legislation or the nature of the Group's activities, in particular in relation to the Substantial Shareholder Exemption, may adversely affect the Group's tax position and accordingly its value and operations
- Regulatory changes or breaches could ultimately lead to withdrawal of regulatory permissions for the Group's authorised subsidiaries, resulting in loss of fund management contracts, reputational damage or fines

Development during the year
- Ongoing focus on regulatory compliance, including third-party reviews and utilisation of specialist advisors
- Parkwalk Advisors Ltd applied to the FCA to vary their regulatory permissions with the FCA in the year to allow them to increase the level of assets under management in response to their success as an EIS investment manager
- The Group adopted a conflicts of interest policy in the year documenting the Group's approach to identifying and managing conflicts of interest relating to investment and divestment decisions
- Submitted an application for a Type 1 and Type 9 regulatory licence to the Securities and Futures Commission ("SFC") in Hong Kong. The licences, if granted, will allow the Group's Hong Kong subsidiary to raise capital for the Group's portfolio companies and other similar companies and manage a PRC-based fund

Change from 2021

KEY

STRATEGIC PILLARS

Have an impact on the world that counts

Develop our unique insights, expertise and access

Accelerate value creation

Build a truly differentiated reputation

Be a home for exceptional talent

CHANGE FROM 2021

Increase

Decrease

No change

RISK APPETITE

Very low

Low

Balanced

High

Very High

RISK MANAGEMENT.
PRINCIPAL RISKS AND UNCERTAINTIES

07 The Group and its portfolio companies may be subjected to phishing and ransomware attacks, data leakage and hacking

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

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

Actions taken by management
- The Group reviews its data and cyber-security processes with its external outsourced IT providers and applies the UK Government's "ten steps" framework or other national equivalents where relevant
- Regular IT management reporting framework in place
- Internal and third-party reviews of policies and procedures in place to ensure appropriate framework in place to safeguard data
- Assessment of third-party suppliers of cloud-based and on-premises systems in use
- Annual Cyber and IT training is supplemented by regular bite-sized and interactive cyber security training
- Network and infrastructure security systems to respond to emerging threats

Risk appetite

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

Development during the year
- Ongoing focus on IT security and staff training, including completing the implementation of remediations agreed from internal audit reviews and utilisation of specialist advisers
- Continued programme of phishing and penetration testing
- Three cyber-attack simulations were undertaken in the year to allow executive management to practice their planned response to a serious cyber incident, including two externally facilitated sessions
- Additional, regular, bite-sized and interactive cyber security training provided to staff to supplement formal annual cyber security training launched in the year
- Reviewed disaster recovery plans in the year

Change from 2021

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RISK MANAGEMENT.

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

Link to strategy

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

Actions taken by management

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

Risk appetite

Examples of risk

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

Development during the year

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

Change from 2021

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RISK MANAGEMENT.

Viability statement

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

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

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

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

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

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

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

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 considered, 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 2022.

Engaging with stakeholders

Engaging and maintaining open channels of communication with the Group's stakeholders is an integral part of its business and critical to ensuring the future success of the business. The Group engages with its stakeholders (including employees) in various forms and using multiple different media. This flexibility in methods of engagement enables the Company to obtain wider access to, and to facilitate constructive two-way engagement with, its various stakeholders.

The following table sets out how the Group focuses on its key relationships with stakeholders in a way that enables the Group to discuss the potential impact of its decisions on the stakeholders affected by, or relevant to, the issue in question, to take action in response to matters raised during such discussions and to feedback on the actions and their impact, as appropriate.

WORKING WITH THE GROUP'S STAKEHOLDERS.

Name of stakeholder	Why we engage	How we engage	Issues that matter to this stakeholder group
Shareholders	To ensure that: • 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 • the Board understands the issues that are important to the shareholders	• Direct meetings/calls, primarily with the Executive Directors and Senior Management and consultation on various key issues for the Group with the Chairman, Senior Independent Director and Board Committee Chairs relating to matters within the relevant Committee's mandate • Results announcements in person and broadcast via the 'investormeetcompany' platform to enable broader audience engagement and real-time Q&A, presentations and investor roadshows • Group capital markets and sector showcase events • Broker facilitated investor forums/conferences • The Group's website, with investors being able to sign up to regulatory and portfolio company alerts • Meetings with analysts and feedback from the Group's brokers • Annual General Meeting ("AGM")/other General Meetings, with the 2022 AGM having been held in person, preceded by a shareholder update and with both events enabling live remote access, and recordings also being available after, via the 'investormeetcompany' platform. Shareholders were also able to submit questions in advance of the 2022 AGM • Annual Report and Accounts • RNS and RNS Reach announcements • Shareholder circulars • Dedicated IR and company secretarial mailboxes (IR@ipgroupplc.com and CoSec@ipgroupplc.com) • Commission of an investor perception and shareholder engagement study	• Financial performance • Strategy • The Group's funding model • Capital allocation, including approach to shareholder returns • The Company's share price, including performance versus NAV • Long-term growth • ESG factors • Culture • Inclusion and Diversity • Significant changes to the Board and succession planning • Remuneration of Directors • Share option plans • Matters affecting the share capital, including dilution events • Compliance and governance

Key shareholder activities in 2022

Q1
- Pre-closed period update
- Annual results presentation*
- Results roadshow
- Consultation with shareholders regarding proposed outcomes of the triennial review of the Directors Remuneration Policy
- Berenberg UK Corporate conference

Q2
- AGM statement
- AGM and investor presentation*
- Rothschild roadshow

Q3
- H1 results presentation*
- Results roadshow
- Follow-up consultation exercise with shareholders regarding the voting outcome at the Group's AGM on the IP Group plc Share Plan and Remuneration Policy

Q4
- Investor update on our Deeptech portfolio*
- Rothschild roadshow
- Berenberg European Conference

*Available via the 'Investormeetcompany' platform which is open to all stakeholders.

Shareholders by sector

Sector / Owner	% at 31/12/2022
Mutual Funds	30.02
Pensions	25.29
Retail	18.16
Hedge	5.63
SWF	4.80
Insurance	4.52
Charities	3.56
Inv Trusts	2.75
Other	5.36

Details of substantial shareholders as at both 31 December 2022 and 28 February 2023 can be found on page 174.

WORKING WITH THE GROUP'S STAKEHOLDERS.

Name of stakeholder	Why we engage	How we engage	Issues that matter to this stakeholder group
Employees	To be a home for exceptional talent, which is critical to achieving the Group's strategy and vision. Meaningful engagement with employees also helps to create a strong and supportive culture.	• IP Connect employee forum • Designated Non-executive Director for employees • Regular all-staff meetings in person and via video conference • Annual all-staff off-site day • Weekly all-staff emails from the CEO • Staff intranet • Third-party hosted anonymous speaking up hotline and web reporting tool • Culture and engagement survey and other more regular pulse surveys • Regular all-staff social events and TED talk discussions • Internal training sessions • Women's Networking Group (new in 2022) • Inclusion & Diversity Project and the implementation of the Group's Inclusion and Diversity Masterplan	• Strategy, including purpose and vision • Culture and values • 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
Portfolio companies	To identify, back and grow science-based opportunities into a diversified portfolio of transformative businesses, which address some of the world's most pressing challenges. 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.	• 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 in-house IP Team • Group capital markets events, including presentations at sector showcase events • Portfolio company management team presentations to the Board, either at the Group's head office in London or onsite at the portfolio company as part of Board portfolio company tours, which enables open and transparent two-way engagement between the Board and the relevant portfolio company management teams • Introductions/facilitating access to co-investors • Attending sector conferences and events alongside portfolio companies and their management teams • Marketing including through the use of social media to amplify messaging around the portfolio • Parkwalk annual portfolio showcase attended by investors/co-investors, advisors and government bodies	• Strategy • Financial performance • ESG factors • Fundraising • Building strong boards • The Group's funding model • Capital allocation • Culture • Investment Committee decision making process

WORKING WITH THE GROUP'S STAKEHOLDERS.

Name of stakeholder	Why we engage	How we engage	Issues that matter to this stakeholder group
Co-investors and Third-Party Fund Managers	To attract strategic co-investors, including third-party fund managers, to invest alongside the Group either directly or via a vehicle or arrangement managed by the Group To build an investment network to support the Group's portfolio companies and to co-invest in portfolio companies. 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. To maintain strong relationships with underlying investors who invest in the Group's portfolio via funds or other arrangements managed by the Group.	• Direct meetings/calls between co-investors and the Executive Directors, Managing Partners, other Sector Partners, the MD of Australia and senior members of the IP Capital team • Via portfolio company boards where several co-investors have a board seat • Attending conferences and sector events including AWE Europe, The Cleantech Forum (Europe) and Ecosummit • Group capital markets events • Broker facilitated investor forums/conferences • Parkwalk annual portfolio showcase and other investor events	• Strategy • Financial performance • Investments and realisations • ESG factors • Investment evaluation and decision making process • Culture • Strategy • Compliance and governance
Universities and other research institutions	To build, develop and maintain relationships with universities and other research institutions in order to identify promising science and then back and grow transformative and businesses that have a positive impact on the future around such science. To create and maintain a pipeline of compelling intellectual property-based opportunities.	• Regular interaction with universities within the UK, the US and Australia • Annual relationship review in Australia • Parkwalk representatives on relevant university fund investment committees	• Strategy • Financial performance • ESG factors • Culture • Realisations • The Group's funding model • Capital allocation
The environment and wider community	To generate social and environmental impact, which is part of the Group's core purpose.	• Via the Group's portfolio companies • Engagement with ESG Ratings agencies • Supporting UK woodland creation via Woodland Carbon Code • Charity partnership with IntoUniversity charity • Supporting the 10,000 Black Interns programme • Signatory to Investing in Women Code • Member of UN Global Impact • Member of UN Principles for Responsible Investment • Participation in the ESG_VC Survey	• ESG factors • Impact • Capital allocation • Strategy • Inclusion and Diversity • Compliance and governance • Culture

WORKING WITH THE GROUP'S STAKEHOLDERS.

Name of stakeholder	Why we engage	How we engage	Issues that matter to this stakeholder group
Debt holders	To build and maintain strong partnerships with the Group's largest creditors.	• Regular reporting requirements • Direct conversations and consultation on matters relevant to existing debt holders • Outreach to potential lenders on an ad hoc basis • Group capital market events	• Strategy • Financial performance • The Group's funding model • Realisations • Compliance and governance • ESG factors
Regulators	To maintain strong relationships with regulators and a strong compliance culture.	• Direct correspondence on transactions and other matters as necessary • Correspondence with the Takeover Panel on concert party and other code-related 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	• Strategy • Financial performance • Compliance and governance • The Group's funding model • Portfolio liquidity • ESG factors • Business continuity and longevity
Brokers and advisors	To ensure a strong understanding of the Group's strategy, performance, purpose and culture and to maintain strong relationships.	• Regular dialogue and correspondence with brokers and advisors including industry analysts • Group capital markets events and sales team presentations in connection with the annual and interim results	• Strategy • Financial performance • The Group's funding model • Capital allocation • Compliance and governance • ESG factors
Governance Bodies	To maintain strong relationships with proxy advisers, the Investment Association, the Financial Reporting Council, ESG Ratings Agencies and other governance bodies.	• Engagement with ESG Ratings Agencies to help demonstrate the Group's performance, as well as enabling identification of areas of improvement • Direct correspondence on matters as necessary, including, without limitation, two-way engagement on the Group's remuneration policy • Active participation in public consultations relevant to the Group's business, together with FRC Lab initiatives • Correspondence with the Financial Reporting Council • Two-way engagement with proxy bodies in relation to their reports on the Group's Annual General Meeting and any other General Meetings • Regular interaction with EIS Association and HMRC in relation to EIS investments • Regular liaison with government-backed initiatives in relation to investment within the sector • Correspondence with BEIS (Department for Business, Energy & Industrial Strategy) in relation to National Security Investment Act	• Compliance and governance • Remuneration Policy • ESG factors • Inclusion and Diversity

WORKING WITH THE GROUP'S STAKEHOLDERS.

Consideration of long-term consequences in decision making and strategy

The Group's purpose is to accelerate the impact of science for a better future. Our vision is a future enhanced by the impact of the transformative businesses we have identified, backed and grown as long-term partners.

The Group's strategy to achieve its purpose and to be recognised as a bold, visionary investor is built up of five strategic pillars, further details of which are shown in diagrammatic form on page 19. These five pillars are underpinned by an objective to deliver class-leading internal processes, services and controls to enable the strategy to be achieved. The Group is increasingly focusing capital, resources and expertise on clear thematic areas, focusing on accelerating a dynamic number of priority companies whose products and services will meaningfully contribute to a regenerative, healthier and tech-enriched future and which the Board believes can be material in the context of the overall Group performance. A detailed explanation of the strategy is set out on pages 18 to 20, and the Group's business model is set out on pages 14 to 15.

ESG

We actively engage with, and obtain input from, our key stakeholders in relation to environmental, social and governance ("ESG") matters. We engage with key shareholders, to help us develop a comprehensive materiality mapping of our ESG priorities, which in turn allows us to have a meaningful ESG strategy, that aligns our ESG goals with those of our shareholders and allows us to maximise our impact for our broader set of stakeholders. We produce a regular report for our principal debt provider which shows how capital has been deployed against a set of pre-agreed ESG criteria. Furthermore, we engage with ESG ratings agencies, feeding into their ratings approach and methodologies and providing guidance on ESG matters with respect to our sector and company specific data points.

The Group actively takes into account ESG factors in performing its role as a responsible investor and in relation to evaluating the impact of its portfolio companies against such factors. Indeed, a major portion of the Group's portfolio and its ongoing investment allocation are focused on businesses pursuing activities designed to facilitate transition towards the Net Zero goal. The ESG Committee, a sub-committee of the Executive Committee, oversees the Group's ESG and impact strategy, and ensures that all ESG risk, including climate-related risks are appropriately managed, and that the Group provides required disclosures and reporting in a full and timely manner. The ESG Committee also ensures that ESG and impact considerations are embedded into strategy and risk management and integrated into investment practices. The ESG Committee is also responsible for the Group's active engagement with portfolio companies on ESG issues, through the Responsible Investment working group. The Group's ESG Committee is led by the CEO, with the support of the Head of ESG, and in addition its members comprise the CFOO, Head of Communications, UK General Counsel and representatives from the partnerships. This helps to ensure the integration and alignment of the Group's ESG strategy and investment processes with that of the overall strategy of the Group.

Details of the actions the ESG Committee completed during 2022 and its planned focus for 2023 are set out on page 50. The Group also operates a separate Ethics Committee, and further details of the Group's Ethics Committee and the Ethical Investment Framework can be found on page 54. The Group's Investment Committee processes incorporate ESG and ethical considerations into each portfolio company investment proposal, ensuring that the Group's investments are carried out in accordance with the Group's stance on such matters.

The Group is committed to preventing modern slavery in its business and supply chains and has adopted principles and policies that are relevant to the prevention of modern slavery across its organisation and supply chains. This includes the payment of the London Living Wage. The ESG and Ethics Committees monitor observance of such conduct.

In fulfilling its role as a responsible investor, the Group makes clear its expectation of high levels of corporate governance within its portfolio companies, and takes up Board positions in the majority of the Group's priority companies. This helps to ensure that robust governance processes are in place within such companies, which the Group also supports through

WORKING WITH THE GROUP'S STAKEHOLDERS.

facilitating introductions to external advisors, sharing best practice and offering helpful guidance on new legislation.

The Group has 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 with regard to anti-corruption and bribery, data protection and speaking up. Further information on the Group's stewardship activities is detailed on page 56.

Wider community

The Group considers its key stakeholders to include the wider community given its purpose is to accelerate the impact of science for a better future for all; 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 charity partnership with IntoUniversity. IntoUniversity aims to provide local learning centres where young people are inspired to achieve, and donations made by IP Group will support its facility in Brixton, London. In 2022, the Group hosted both an "Insight Day" and a "Challenge Day", which encouraged young people from the charity to meet members of our investment teams, ask questions around their STEM careers and explore problems around tackling the climate crisis. In partnership with IntoUniversity and the Big City Bright Futures programme, the Group also ran a three-week internship for four students who were beginning their degrees in various STEM subjects. These students were given the opportunity to meet a member of every IP Group team, including our Australia and Hong Kong teams, to understand how the organisation runs, and were challenged to formulate an investment plan for a portfolio company of their choice.

Employees

As described on pages 59 and 60, the Board considers engagement with its colleagues at all levels in the Group to be a key part of the Group's culture, and a wide range of events and experiences are facilitated for employees to participate in, from both a work and wellbeing perspective.

As further described on page 60 IP Connect, the Group's employee forum, seeks to ensure that employees' voices are heard by the Group's management team and Board. The forum also facilitates meaningful two-way communication between the Board (via Aedhmar Hynes, the Group's Designated NED) and employees, enabling the Board to understand and actively consider the interests of employees in its discussions and the decisions it makes. For example, employees' views on flexible working and returning to the Group's new head office after the pandemic, which were channelled through the IP Connect forum, have informed the Group's flexible working policy. IP Connect was also consulted on work to articulate the Group's values, as a precursor to the Group's new branding initiative. The Group considers that its combination of a Designated NED and an employee forum continues to be welcomed by colleagues as an effective and appropriate approach to employee engagement within the Group.

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

Through understanding the views of its stakeholders, the Board takes 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 are consulted on significant decisions and transactions in contemplation. Key specific areas of discussion over the last year have been around refreshing the Group's strategy, our approach to capital allocation (including taking on private placement debt), the disparity between our share price and NAV per share, shareholder returns and the Group's Remuneration Policy (including the newly implemented Restricted Share Plan). Various shareholder events held throughout the year, including Group and sector-based capital market events, investor results roadshow meetings and the shareholder webinar held on the same day as the Group's AGM, as well as ongoing direct communications between the Executive Directors and other senior team members and shareholders through the year, also enabled the Directors to provide feedback to shareholders on how their views have been taken into account with respect to

WORKING WITH THE GROUP'S STAKEHOLDERS.

the various matters on which they have been consulted, as well as to respond to any specific questions that they may have had. The following table details some examples of interaction between the Board and key stakeholders on certain matters during 2022 and early 2023, which enabled the Board to take the relevant stakeholders' views into account when making related decisions.

Themes	Stakeholder Group	Discussion topics with and feedback from stakeholders	Action taken by the Board as a result of stakeholder engagement
Capital allocation/ shareholder returns/ strategy	Shareholders, Brokers and Advisors, Portfolio Companies, Debt holders	The Group's overall approach to Capital Allocation, against the backdrop of the difficult macroeconomic and geopolitical climate in 2022, has featured in many discussions with shareholders, brokers and analysts, especially given that the Group's shares continue to trade at a significant discount to NAV.	The Board, having discussed the issue at length and having obtained advice from its external advisors, undertook an "investor perception" study to gain the views and insights of its investors. The study (facilitated by the Group's external advisors) involved discussions with two sell-side analysts and 19 of the Group's investors who reflected the diversity of the share register, by geography, type of investor and total shareholdings. The results of the study enabled the Board to understand shareholders' views relating to the Group's overall strategic direction and objectives, its investment and divestment strategies, its approach to returns to shareholders, the management team and geographies in which the Group operates, amongst others. As a result of the study, the Board gained appreciation that shareholders understood that much of the recent negative performance in share price relative to NAV per share was in large part as a result of broader market trends. The study also reinforced the value of shareholder engagement and the Board and management resolved to continue their proactive approach to investor relations and further refine the Company's equity story to appeal to new investors.
IP Group plc remuneration policy and restricted share plan	Shareholders	At the Annual General Meeting ("AGM") held on 14 June 2022, the Board of IP Group was pleased to receive overwhelming support for its new Remuneration Policy but noted that the level of shareholder support for the related Resolution 21 (approval of the IP Group plc Share Plan) was 79.19%, marginally below the 80% required by the Code, with a number of votes opposing the resolution.	Following the AGM, the Chair of the Remuneration Committee and Group People Director carried out a follow-up shareholder engagement process, having previously engaged extensively with major shareholders on the Group's Remuneration Policy prior to the AGM. This process provided an opportunity for shareholders to share their perspectives and, if appropriate, their reasons for voting against the resolution. Following the consultation exercise with shareholders, in accordance with the Code, the Group published a statement on its website on 12 December 2022.

KEY

Stakeholder

- Shareholders
- Brokers and Advisors
- Portfolio Companies
- Debt holders
- Employees

WORKING WITH THE GROUP'S STAKEHOLDERS.

Themes	Stakeholder Group	Discussion topics with and feedback from stakeholders	Action taken by the Board as a result of stakeholder engagement
Strategy/branding	Employees, Shareholders	As the Group's strategy has evolved (as discussed on pages 18 to 20), it became apparent from discussions with various employees including representatives on the Group's employee engagement forum, IP Connect, that the Group's branding required a refresh to ensure that it remained current and in line with the strategic direction of the Group.	The Group reviewed the existing branding and appointed branding specialists, Conran Design Group, to work alongside a newly established Branding Committee to produce a new vision for IP Group which incorporated the stakeholder feedback received and accurately reflects the business and it's strategy.

KEY

Stakeholder

Shareholders

Brokers and Advisors

Portfolio Companies

Debt holders

Employees

Principal decision: Debt Private Placement

The Board seeks to ensure that the Group has sufficient capital to pursue its long-term strategic aims. One of the significant principal decisions relating to the Group's strategy taken by the Board in 2022, following relevant stakeholder engagement, was the approval of the Group's entry into a Note Purchase Agreement pursuant to which it agreed to issue £120m of long maturity private loan notes to London-based institutional investors (the "Debt Placement") (as further detailed on page 42). Concurrent with the Debt Placement and following active engagement with the European Investment Bank ("EIB"), the Group agreed to the early repayment of approximately £14.6m of the existing shorter-dated EIB debt. The Debt Placement provided the Group with additional funding, providing the Group with additional flexibility to continue making investments in accordance with its overall strategy and Capital Allocation Plan and giving it greater flexibility in managing the timing of portfolio realisations and exits, further enhancing liquidity.

When discussing and subsequently entering into the Debt Placement, the Board considered in detail the interests of the following stakeholders and how they may be impacted, as well as output from its engagement with the EIB:

Creditors

The Board considered the outstanding terms of the three loan facilities that it had in place with the EIB and the impact the Debt Placement may have on these outstanding facility agreements, mindful that following the Debt Placement the EIB would be the Group's second largest creditor. Following engagement with the EIB to discuss the proposals and seek relevant permissions under the existing contractual arrangements, the Board agreed that the Group would make an early repayment of £14.6m of the outstanding EIB debt, with the EIB contemporaneously releasing its security in relation to the same.

The Debt Placement required the Group to grant fixed and floating charges over all its assets in favour of a security trustee who would rank as a secured creditor in priority to all unsecured creditors in the event of an insolvency situation. Given the Group's cash balances were strong, as evidenced by its 2021 Annual Report and Accounts, and the Group had confidence in future portfolio realisations, the Board concluded that the Group's other creditors would not be adversely affected by the Debt Placement and the security granted pursuant to it.

WORKING WITH THE GROUP'S STAKEHOLDERS.

Shareholders

The Board resolved that the Debt Placement was in the best interests of the Company's members as a whole. It determined that the Debt Placement would ensure that the Group remained well funded and able to follow its current investment and divestment strategy, assisting the Group in driving value and delivering more profitable realisations in the future, ultimately leading to better returns for shareholders in the future.

Portfolio Companies

The Group's business model, as further described on pages 14 to 15, is to contribute to a better future and generate attractive returns by identifying, backing and growing transformative businesses as long-term partners. 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 Board agreed that the Group needed 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.

Co-investors

The Directors considered the Group's relationship with co-investors in its portfolio companies, noting that the relationship that the Group has with its co-investors may be negatively impacted if the Group does not allocate sufficient capital to meet the needs of its portfolio companies. The Directors also noted 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.

Training and Board processes

The Board identifies principal decisions with reference to the Matters Reserved for the Board and the Group's Delegated Investment and Realisations Authorities, which govern the approval processes for significant investments and realisations above a certain threshold. The Board receives regular training on its s172 obligations to keep current with evolving market expectations. Information relating to stakeholder issues is included in relevant Board papers to enable the Board to understand and consider relevant stakeholder interests when making any decisions (including principal decisions). This incorporates feedback sought from relevant stakeholders in relation to the decisions being brought to the Board and an assessment of the impact of decisions in contemplation of 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 taken. 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 under its own authorities or proposals recommended to the Board.

Board approval

The Strategic Report as set out on pages 10 to 108 has been approved by the Board.

On behalf of the Board

Sir Douglas Flint
7 March 2023

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

Independent: N/A[1]

Tenure: 4 years
(renewed in September 2021)

Term of office: 3 years[2], 3 months' notice

Re-election to Board: Annually at AGM

Skills and Experience
Sir Douglas has extensive experience of public company board leadership, which helps to focus Board discussion and challenge on the design and delivery of our strategy. His collaborative approach helps to facilitate open and constructive boardroom discussion. Previously, Sir Douglas served as Group Chairman of HSBC Holdings plc from 2010 to 2017. For 15 years prior to this he was HSBC's group finance director, joining from KPMG where he was a partner. Between 2005 and 2011 Sir Douglas served as a non-executive director on the board of bp plc, latterly chairing its audit committee.

Key external appointments
In other current roles, Sir Douglas is Chairman of abrdn plc, is Chairman of the Royal Marsden hospital and charity and is a member of a number of advisory boards and trade associations, through which he keeps abreast of industry, regulatory and international affairs of relevance to his public company responsibilities.

Greg Smith
Chief Executive Officer

Effective date of current service agreement: 6 October 2021

Independent: No

Tenure: 11 years as an Executive Director,
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 appointments
Greg serves on a number of advisory bodies seeking to make the UK's capital markets more accessible to smaller companies, in terms of both public listing and scale-up capital, particularly for those companies whose business is based on innovative science and technology.

KEY
- Audit and Risk Committee
- Nomination Committee
- Remuneration Committee
- (C) Chair

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 126.

BOARD OF DIRECTORS.

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

Effective date of current letter of appointment: 1 August 2019

Independent: Yes

Tenure: 3 years
(renewed in August 2022)

Term of office: 3 years[2], 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.

David Baynes
Chief Financial and Operating Officer

Effective date of current service agreement: 6 October 2021

Independent: No

Tenure: 9 years as an Executive Director, 1 year as Chief Financial and Operating 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 appointments[3]
Non-executive Director of Kwalee Limited.

KEY
- Audit and Risk Committee
- Nomination Committee
- Remuneration Committee
- (C) Chair

2 Subject to renewal for subsequent three-year terms as set out on page 126.

3 Excludes appointments to Group portfolio company boards.

BOARD OF DIRECTORS.

Dr Caroline Brown
Non-executive Director

Effective date of current service appointment: 1 July 2019

Independent: Yes

Tenure: 3 years
(renewed in June 2022)

Term of office: 3 years[2], 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 BAML (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 Crown Agents Bank Limited, Luceco plc, and W.A.G payment solutions plc. She is also a non-executive external member of the global partnership council of Clifford Chance LLP.

Heejae Chae
Non-executive Director

Effective date of current letter of appointment: 3 May 2018

Independent: Yes

Tenure: 4 years
(renewed in May 2021)

Term of office: 3 years[2], 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.

KEY
- Audit and Risk Committee
- Nomination Committee
- Remuneration Committee
- (C) Chair

2 Subject to renewal for subsequent three-year terms as set out on page 126.

BOARD OF DIRECTORS.

Dr Elaine Sullivan
Non-executive Director

Effective date of current letter of appointment: 30 July 2015

Independent: Yes

Tenure: 7 years
(renewed in July 2021)

Term of office: 3 years[2], 3 months' notice

Re-election to Board: Annually at AGM

Skills and Experience
Dr Elaine Sullivan is a senior pharmaceutical and biotech industry executive with a successful track record in science, investment, business development and start-ups. She has extensive global leadership experience including membership of the top senior global R&D management teams at Eli Lilly (US) and AstraZeneca (UK) and is experienced in partnerships with venture, equity and strategic collaborations.

Dr Sullivan has delivered over 250 collaborations and transactions including spinouts, joint ventures, strategic partnerships and multi-million US$ acquisitions and brings experience in executing deals world-wide including US, Europe and China.

Key external appointments
CEO of Keltic Pharma Therapeutics, supervisory Board of Evotec AG and Non-executive Director of Active Biotech AB, Open Orphan plc and Nykode Therapeutics ASI.

Anita Kidgell
Non-executive Director

Effective date of current letter of appointment: 18 January 2023

Independent: Yes

Tenure: less than 1 year

Term of office: 3 years[2], 3 months' notice

Re-election to Board: Annually at AGM

Skills and Experience
Anita has over 25 years of pharmaceutical experience spanning multiple disciplines. She is currently Head of Corporate Strategy at GSK with over ten years of experience of leading strategic initiatives in numerous areas including China, ESG, geopolitics as well as integrations and demergers. Between 2004 and 2007 she was the Global Head of Investor Relations at GSK and prior to this held senior positions in Corporate Communications, at GlaxoWellcome and at the Brunswick Group.

Anita has a First Class Honours degree in Applied Biology and has more than ten years' experience in pharmaceutical Discovery Research and Clinical Development.

Key external appointments
Head of Corporate Strategy at GSK.

KEY
- Audit and Risk Committee
- Nomination Committee
- Remuneration Committee
- Ⓒ Chair

2 Subject to renewal for subsequent three-year terms as set out on page 126.

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.

Further explanation as to how the main principles set out in the Code have been applied by the Group is set out in this section, as well as in the s172 statement, the Directors' Remuneration Report, the Audit and 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.

The Board

Audit and Risk Committee
Pages 163 to 171

Nomination Committee
Pages 129 to 139

Remuneration Committee
Pages 140 to 162

Executive Committee
Page 120

Disclosure Committee
Page 120

Chairman

Chief Executive Officer

Senior Independent Officer

Chief Financial and Operating Officer

Company Secretary

Non-executive Directors

Investment Committees
Page 120

ESG Committee
Page 68

Ethics Committee
Page 68

Read **Board biographies** on **pages 109 to 112**

Read about **Board activities** on **pages 118 to 119**

Read about **roles and responsibilities** on **page 117**

CORPORATE GOVERNANCE STATEMENT.

"

The Company's purpose of identifying, backing and growing transformative companies whose products and services will meaningfully contribute towards a regenerative, healthier and 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.

Sir Douglas Flint
Chair

During 2022, the Group continued its focus on maintaining the highest standards of corporate governance, ensuring that the interests of stakeholders were 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 disciplined capital allocation into high conviction investment opportunities enabled by careful 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 and 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 design and execution of the Group's strategy. It is also critical to building strong relationships with all the Group's stakeholders in order to earn their support for the Group's purpose to accelerate the impact of science for a better future. The Group continues to foster a culture of innovation, mutual support, diversity and inclusion, and encourages its employees to engage in healthy debate and challenge so that it can 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 58. The Group recognises that maintaining and developing two-way stakeholder engagement plays an important role in building the stakeholder confidence necessary for the Group to deliver the strategy and promote the long-term success of the Company. 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 99 to 108.

CORPORATE GOVERNANCE STATEMENT.

Compliance with the UK Corporate Governance Code 2018

The table below shows the principles set out in the Code and where key content can be found.

This year, in accordance with the Code, the Board and its Committees undertook an external effectiveness evaluation facilitated by Bvalco Ltd. The output of the evaluation was positive and concluded that the Board was operating effectively; where areas for improvement were highlighted, action plans will be designed to take these points on board. Further detail on the process and findings of this evaluation, and the priorities identified by the Board for 2023, can be found on pages 136 to 139.

The Group upholds strong business values that continue to guide the Group in implementing its strategy and employees are encouraged to demonstrate how these values are applied 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 to the Group on ethical issues and monitors compliance with the Group's Ethical Investment Framework, work to ensure that the Group's values and culture are also embedded in the Group's capital allocation framework. Further details on the ESG Committee and Ethics Committee and of how the Group mitigates climate-related risk are included on pages 46 to 84.

The Board welcomes every opportunity to discuss matters relating to corporate governance with shareholders throughout the year, as well as at each Annual General Meeting ("AGM"). The next AGM is on 15 June 2023. In addition, and to facilitate engagement with shareholders throughout the year, the Group maintains a dedicated company secretary email address (cosec@ipgroupplc.com), through which shareholders can submit questions at any time.

Sir Douglas Flint
Chairman

CORPORATE GOVERNANCE STATEMENT.

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 that 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 and to ensure the Group is a home for exceptional talent
- monitoring performance against key financial and non-financial performance indicators
- embedding a robust performance management framework and aligning reward with the long-term interests of stakeholders
- planning for Board and senior management succession, overseeing the system of risk management
- setting and monitoring adherence to mandated values and standards in governance matters
- monitoring environmental, social and governance policies and performance
- helping to shape and embed the Group's purpose, vision, strategy, values and culture.

The Board recognises that its role in setting, monitoring and enforcing the standards of behaviour it expects from its people (its 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 58.

In supporting the Group's business and its portfolio companies, the Board acknowledges the key roles Group functions play in the fields of capital raising, executive search, legal advice and support, intellectual property strategy and due diligence support. These sit alongside and support the hands-on approach and high level of engagement 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 provides 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 and recognises 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, vision 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.

Division of responsibilities

Chairman **Sir Douglas Flint**	• Leadership and conduct of the Board, encouraging open and constructive discussion and challenge • Promotes high standards of governance and Board effectiveness, including incorporation of ESG factors into board decision making • Ensures active engagement and effective communication with shareholders • Sets the Board's agenda and is responsible for ensuring the Committees carry out their duties • Ensures that Board members receive timely, accurate and clear information about the Group's activities • Ensures that Board members receive appropriate induction and ongoing training on the Group's activities and their own responsibilities • Leads performance assessment of Board members
Chief Executive Officer **Greg Smith**	• Leads on development and delivery of strategy • Leads the management of the Group alongside the Executive Committee and establishes financial and operational targets • Leads the management of the Group in incorporating ESG factors and is Chair of the ESG Committee • Member and "Champion" of the Group's Inclusion and Diversity Project, ensuring Diversity and Inclusion factors are incorporated into decision making analyses and employee engagement development • Responsible for building a team that is able to effectively identify, back and grow impactful early stage innovation-led companies into a diversified portfolio of robust, transformative businesses, and for embedding a culture that ensures the team is highly engaged and motivated to deliver • Leads delivery of the Group's operating plans and budgets and the execution of Board decisions • Leads succession planning for the senior executive positions alongside the Group People Director and reports to the Nomination Committee thereon • Represents the Group to external stakeholders and engages with them on the Group's purpose and strategy
Chief Financial and Operating Officer **David Baynes**	• Oversight and executive responsibility for the Group's financial and operational systems, processes and matters • Maintains an efficient and effective controls environment, including protecting the Group against cyber risks • Responsible for executing 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 • Monitors operating and financial performance and reports to the Board on the same • Ensures the Group's financial structure and capacity supports the Group's objectives
Senior Independent Director **Aedhmar Hynes**	• Available to shareholders to discuss their views and concerns when required • Intermediary between the Board and the Chair • Leads the Board in deliberations where the Chair is conflicted • Leads assessment of the Chair's performance
Non-executive Directors (as part of the Board) **Caroline Brown, Heejae Chae, Elaine Sullivan, Anita Kidgell**	• Approve Group strategy and operating plans • Approve business and financing models • Discuss and constructively challenge executive recommendations within matters brought to the Board • Monitor and performance manage delivery of strategy and operating plans • Provide independent views, support and specialist knowledge • Serve on Committees of the Board
Company Secretary **Angela Leach**	• Advises and keeps the Board updated on governance matters • Ensures Board policies and procedures are followed • Ensures compliance with laws and regulations • Considers Board effectiveness and Directors' training requirements alongside the Chair • Ensures Board papers are concise, clear and that their purpose is explicitly stated and that matters arising are followed through

CORPORATE GOVERNANCE STATEMENT.

Board activities during 2022

Principal decisions

- Recommended the Group's final Dividend for FY 2021 and approved an interim Dividend for 2022
- Approved the private placement and issuance of £120m long maturity loan notes and repayment of approximately £15m of existing EIB debt
- Approved amendments to the Group's delegated investment and realisation authorities (the "Delegated Authorities")
- Approved portfolio company investments and divestments required in line with the Delegated Authorities
- Approved the Group's refreshed Capital Allocation Policy

Board and Committee composition and conduct

- Reviewed succession planning for the Executive Directors, Executive Committee members and Non-executive Board positions
- Approved the appointment of Anita Kidgell (January 2023)
- Approved the re-election for further three-year terms of each of Dr Caroline Brown and Aedhmar Hynes

Strategy and risk

- Continued to support and engage with the Executive Directors on (i) a detailed strategic review covering all components of the Group's strategy including the Group's sourcing of investment propositions, its investment and capital allocation strategies, its global positioning and its talent strategy, all in the context of the wider markets and global environment; and (ii) the subsequent roll-out of the Group's refreshed strategy
- Reviewed the Group's performance within its competitive landscape
- Regularly discussed and debated the form and implementation of the Group's Capital Allocation Policy
- Debated in detail the Group's principal risks and the Board's approach to setting risk appetite
- 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, the terms of reference for its Committees
- Received regular updates from the Group's ESG Committee
- Received an update from the Group's Kiko Ventures (the Group's dedicated Cleantech platform) partners on the Group's climate-related risks and opportunities
- Received an update on the relevant Foreign Direct Investment Regimes, which affect the Group (including the National Security and Investment Act (UK), the Committee on Foreign Investment (US) and the Foreign Acquisitions and Takeovers Act (Australia))

CORPORATE GOVERNANCE STATEMENT.

Shareholders

- Considered the Company's ability to return cash to shareholders, recommending the final Dividend for FY 2021 and approving the interim Dividend for 2022
- Received a presentation from the Company's brokers on the current market climate and circumstances where companies were attracting activist interest
- Discussed the Company's share price performance, in particular the discount to NAV and actions to be taken to narrow the gap
- Commissioned an investor perception study (see page 106 for further detail) in relation to the Group's s172 considerations and shareholder engagement
- Communicated with shareholders with regard to failure to reach 80% approval for the Group's new Share Option Plan, which incorporated the ability to grant restricted share awards in line with the new Remuneration Policy

Employees

- Received quarterly people updates from the Group People Director including on progress to embed the Group's culture and values, improve inclusion and diversity, expand learning and development resources 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, the Group's employee forum

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 performance of their focus portfolio companies
- Visited Oxford to receive in-depth presentations from three of the Group's largest portfolio companies
- Received periodic updates on portfolio companies directly from their management teams
- Received bi-annual updates from the Managing Directors of the US, Australasia and Hong Kong/China businesses
- Received bi-annual updates from the leadership team at Parkwalk

Board effectiveness

- Implemented the recommendations from the 2021 internal Board evaluation
- Reviewed plans for the external Board effectiveness review, which was carried out in 2022 (for further detail, see page 136 of the Nomination Committee Report)

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 and 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 2022 and all recommended changes were accepted by the Board. The schedule will be reviewed again in 2023.

CORPORATE GOVERNANCE STATEMENT.

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 and 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 and Risk Committees are set out on pages 129 to 139, pages 140 to 162 and pages 163 to 171 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 123.

The Group's Executive Committee comprises the Group's two Executive Directors, the Managing Partners of Technology and Life Sciences, the Managing Partner of Parkwalk, the Group General Counsel, the Director of Communications, the Group People Director, the Finance 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 that are expressly reserved for the Board or its Committees. The Executive Committee is a decision making body that 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 60.

The Executive Committee delegates day-to-day responsibility for overall ESG matters to both the ESG and Ethics Committees and receives regular updates on such matters. In turn, the Executive Committee is responsible for reporting on ESG matters to the Board.

The Disclosure Committee assists the Group in making 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 ensures that relevant training is provided to the Board and to the wider employee base and also enables the Group to meet its obligations under the Market Abuse Regulation. This Committee also 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 Group General Counsel, the General Counsel, UK, the Director of Communications and a minimum of one Non-executive Director.

The Group has Investment Committees for its Technology and Life Sciences Partnerships and its Australian entity. 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. Parkwalk operates under separate Investment Committees and investment authorities.

Board size and composition

As at 31 December 2022, there were seven Directors on the Board: the Chairman, two Executive Directors and four Non-executive Directors. No changes were made to the Board during 2022. On 18 January 2023 Anita Kidgell was appointed as Non-executive Director of the Group, following which there were eight Directors on the Board: the Chairman, two Executive Directors and five Non-executive Directors; four men and four women. The biographies of all Directors are provided on pages 109 to 112.

New directors may be appointed by the Board from time to time, subject to election by shareholders at the first Annual General Meeting following their appointment. Accordingly, Anita Kidgell will submit herself for election by shareholders at the Group's Annual General Meeting to be held on 15 June 2023. In accordance with the provisions of the Code, all the Directors will be offering themselves for re-election at the 2023 Annual General Meeting.

CORPORATE GOVERNANCE STATEMENT.

The Board unanimously recommends to shareholders the appointment of Anita Kidgell as Non-executive Director of the Company. Anita brings to the Board a rare combination of a scientific background together with strategic and communication experience in a leading listed company. Anita has spent the bulk of her career at GSK in a number of roles including clinical research, science and product communications, strategy and investor relations. The Board is satisfied that, having considered the other demands on her time, Anita has sufficient time to devote to the role and to be an effective member of the Board and the various Board Committees on which she will sit.

The Board also unanimously recommends to the 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, commit the required time demanded of them, 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 134.

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.

Non-executive Directors

The Non-executive Directors provide a wide range of unique skills and experience to the Group as detailed on page 131. By virtue of such a diverse mix of skills and experience, the Non-executive Directors are collectively 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 2023 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 own 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 pages 109 to 112.

Read our **Director biographies** on pages 109 to 112

CORPORATE GOVERNANCE STATEMENT.

Board meetings, provision of information and decisions

The Board and its Committees meet 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 seven scheduled Board meetings and a two-day strategy session in 2022; seven Board meetings and a two-day strategy session are also scheduled for 2023. The requirement for additional scheduled meetings is kept under review by the Chairman and the Company Secretary.

The vast majority of Board and Committee meetings were held in person during 2022 although the first meeting of the year was held remotely by video conference due to COVID-19 restrictions. 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.

The Board held a two-day strategy session in November 2022, which provided an opportunity for all Directors to discuss in detail the strategy of the Group and progress made against the Group's strategic priorities to 2025 and the key strategic risks for the Group. The Board also received presentations from the Group's Deeptech investment partnership and Kiko Ventures, the Group's Cleantech platform, the Managing Director of the Group's HK division and three portfolio companies. The CEO updated the Board on the further progress, which the Group had made on the rollout of the Group's updated strategy, including in relation to the evolution of the Group's purpose, vision and branding, which had recently been discussed at the Executive Committee.

The Chairman, Chief Executive Officer and members of the Executive Committee 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), the Group's IR and Communications team 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 the Head of ESG. 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. In addition, the Board receives in-depth presentations throughout the year from selected portfolio companies, including through engaging in site visits.

CORPORATE GOVERNANCE STATEMENT.

Board and Committee attendance

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

	Board Meetings[1,3]	Audit and Risk Committee[2,3]	Nomination Committee	Remuneration Committee
Sir Douglas Flint	●●●●●●●●	●●●●●●	●●●	●●●●
Greg Smith	●●●●●●●●	–	–	–
David Baynes	●●●●●●●●	–	–	–
Dr Elaine Sullivan	●●●●●●●○	●●●●●○	●●●	●●●●
Heejae Chae	●●●●●●●●	●●●●●●	●●●	●●●●
Dr Caroline Brown	●●●●●●●●	●●●●●●	●●●	●●●●
Aedhmar Hynes	●●●●●●●●	●●●●●●	●●●	●●●●

1 One of the seven meetings was held remotely via video conference due to COVID-19.
2 Sir Douglas Flint attends the Audit and Risk Committee meetings as an observer.
3 Dr Sullivan was unable to attend on one occasion due to illness.

CORPORATE GOVERNANCE STATEMENT.

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 that 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.

In 2022, the Board approved a Group-wide Conflicts of Interest Policy, which documents the Group's approach to identifying and managing perceived, potential or actual conflicts of interests which may exist across the various business units of the Group. 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. 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 continue to be allowed 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; such investments, or where the Director decides not to follow his pre-emption rights, are reported to the Board.

The Group maintains a Conflicts Register, which contains a list of the known interests of the Board, the Executive Committee and members of the investment teams in relation to the Group and its portfolio companies. The Conflicts Register is maintained and verified on an annual basis.

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

CORPORATE GOVERNANCE STATEMENT.

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, the head of Kiko Ventures, heads of the US and Australasian businesses, the Chairman of IP Connect 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
- meetings with a number of the Group's portfolio companies and their management teams
- sessions as appropriate with the Group's advisors, 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 Board also received presentations from Bank of America, Rothschild and the Chief Economist at Deloitte throughout the year.

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. In July 2022, the Group facilitated site visits where members of the Board attended three of its Oxford-based portfolio companies on the same day, meeting with members of the senior management teams and viewing the technology first hand. In addition to these site visits, the Board continues to be exposed to the Group's portfolio through presentations at investor events and Board meetings by relevant members of the Group's staff and representatives from the Group's portfolio companies.

In 2023, 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,

CORPORATE GOVERNANCE STATEMENT.

is facilitated through the Company Secretary. Further details relating to the assessment of the Board's performance are set out on pages 136 to 139.

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 and 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 2022, were reviewed by the Board, with no significant failings or weaknesses being identified in respect of the year ended 31 December 2022 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 pages 168 to 169.

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 pages 168 to 169.

CORPORATE GOVERNANCE STATEMENT.

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 87.

The Group outsources its internal audit function to PwC. Details of the internal audit activity during 2022, including internal audit reviews, are on page 170.

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 and 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, strategic acquisitions and disposals and significant long-term debt facilities 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 priority companies and the top 20 most valuable portfolio company holdings. For details on the activities of the Group's Valuation Committee see page 166 to 167.

As described on page 85, 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 89 to 97.

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 85 to 98 and on pages 168 to 169.

CORPORATE GOVERNANCE STATEMENT.

Read about **working with our stakeholders** on **pages 99 to 108**

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 2022, the Board and the Executive Committee completed its annual review of the mapping of its key stakeholders, ensuring all its key stakeholders were captured. This process will be repeated again in 2023.

Further details of the Group's engagement with its key stakeholders and issues that matter to such stakeholders are set out on pages 99 to 108.

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 on page 173 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 174 of the Directors' Report.

Annual General Meeting

Notice of the Annual General Meeting, which will be held on 15 June 2023 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
7 March 2023

NOMINATION COMMITTEE REPORT.

Committee membership

The Nomination Committee currently comprises the following independent Non-executive Directors whose backgrounds and experience are summarised on pages 109 to 112.

- Sir Douglas Flint (Chair)
- Aedhmar Hynes
- Dr Elaine Sullivan
- Heejae Chae
- Dr Caroline Brown
- Anita Kidgell

Report contents

- Principal responsibilities
- Key activities in the year
- Q&A with Chair
- Meetings and Terms of Reference
- Appointments
- Diversity and inclusion
- Succession planning
- Board effectiveness and performance evaluation

Principal responsibilities

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 principal responsibilities of the Committee are as follows:

- 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
- Ensures 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 and deliver on its strategy
- Advises the Board on succession planning for Directors and other senior management appointments, given that the Board as a whole is responsible for succession
- 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 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 (i) the Group's Conflict of Interests policy; and (ii) 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

Key activities in the year

The key areas of focus for the Committee in 2022 and early 2023 included:

Board Composition

- Reviewed the size and diversity of the Board, including the skills present amongst the current members and identified potential gaps
- Worked towards the appointment of an additional Non-Executive Director. See page 132 for more detail

Succession planning

- Recommended to the Board the re-election for further three-year terms of each of Dr Caroline Brown and Aedhmar Hynes
- Reviewed the medium-term succession plan for the Non-executive Directors
- Undertook a detailed review of succession planning for all key Executive and leadership positions across the Group

Governance

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

Evaluation

- Oversaw the implementation of the actions identified during the 2021 internal Board and Committee effectiveness review
- Oversaw the externally facilitated evaluation of the Board and its Committees

NOMINATION COMMITTEE REPORT.

Q&A with Chair

Is the Board currently operating effectively?

I believe that the current Board is operating efficiently and effectively. This belief has been backed up by the results of the in-depth external Board evaluation, which Bvalco undertook on behalf of the Nomination Committee, which came to the same conclusion. The existing mix of complementary skills, knowledge and experience drawn from a range of diverse backgrounds ensures that we are able to offer appropriate support and challenge to the Executive Directors in the day-to-day running of the business, as well as appropriate advice and opinion on strategic matters. Bvalco observed that such challenge is welcomed by the Executive Directors and that there is a real sense of a genuine and trusted interaction.

Whilst the Board is made up of high-quality individuals, it also operates effectively as a cohesive unit. Each individual Director is aware of the skills and capabilities of the other Directors, with robust and vibrant scrutiny and debate on matters presented for decision being facilitated and uniformly respected. When considering both Board and Executive Committee composition, the Nomination Committee and the wider Board are aware of the value of diversity of thought and experience, and seek to ensure that the widest range of experience, capability and opinion is represented in our decision making process.

We note there were no changes to the Board in 2022. Do you see this as a positive or negative thing?

I see the recent period of stability as a positive indicator of both the quality of the existing Board and the decisions taken on both Executive Director succession and Board composition in prior years.

The Committee always seeks to regularly review the overall composition of the Board, as well as the skills and capabilities of individual Directors, and to supplement the existing composition where necessary or desirable. Whilst there were no changes during 2022, as a result of the detailed review of Board composition and succession plans, which took place during the year, we did identify a requirement to further supplement our Non-Executive Director cohort with additional Investor Relations skills and Life Sciences experience.

As a result, during the second half of the year, the Committee recommended the appointment of Anita Kidgell as a new Non-Executive Director to the Board in January 2023. Anita was subsequently appointed on 18 January 2023. Her full profile can be found on page 112.

NOMINATION COMMITTEE REPORT.

What issues did the Committee seek to address during 2022?

The focus of the Committee during 2022 was underpinning the sustainability of both the Board and the senior management team, through a more detailed focus on succession planning throughout the business. In particular, the Committee undertook a detailed review of succession plans in place for eleven of the most senior roles across the business, and a further two individuals in less senior roles identified as points of key person dependency and the Committee's conclusions of such review are addressed in this report.

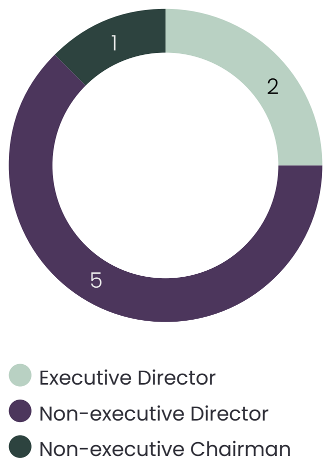
Later in the year, and as set out elsewhere in this report, we shifted focus to the sustainability of the Non-executive team and this exercise resulted in the appointment of an additional Non-Executive Director, Anita Kidgell, in early 2023.

What do you anticipate being the main areas of focus during 2023?

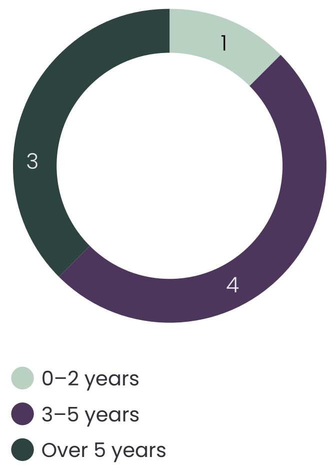
As a Committee, we will remain focused on ensuring that the mix of skills, experience, capability and background remain optimised across both the Board and the wider Executive team. At the time of writing, I do not anticipate any major changes to Board or senior management team structure or composition during 2023 but should the need to determine and/or manage any such changes arise, the Committee is ready and able to do so.

Absent such changes, our focus will remain on the sustainability of both the team and business to underpin our core purpose (see page 01), and as a result to support long-term shareholder value creation through the delivery of our agreed strategy. We will do this by continuing with and building upon the work we did during 2022, with particular and continued focus on the long-term structure of and succession options within the Executive team, and on maintaining an effective, efficient and sustainable team of Non-executive Directors to both support and challenge the management team on behalf of shareholders and other stakeholders.

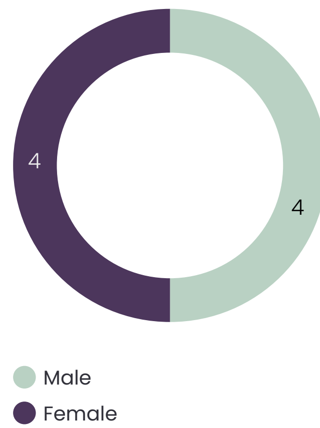
Executive/ Non-executive split



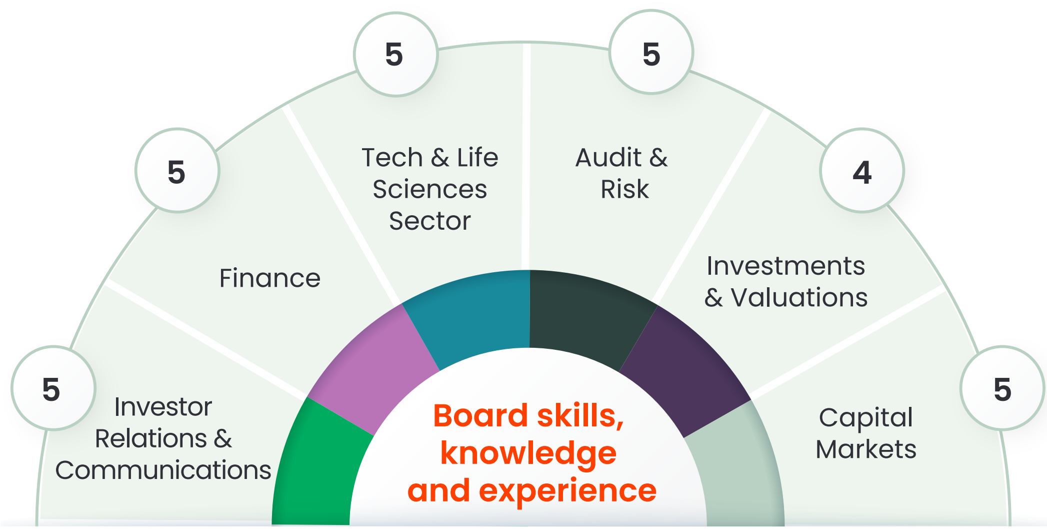
Board tenure



Gender balance



Board skills matrix



Data includes that for Anita Kidgell who was appointed to the Board on 18 January 2023

NOMINATION COMMITTEE REPORT.

Read about **Board and Committee attendance** on **page 123**

Meetings and terms of reference

The Nomination Committee meets as and when required, or as requested by the Board, and had three scheduled meetings during 2022. The attendance by each member of the Nomination Committee at the scheduled meetings during 2022 is set out on page 123.

The terms of reference for the Nomination Committee were reviewed in March 2023 and it was concluded that no 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 gives 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. Where relevant, and particularly in considering matters of succession, the Committee also considers the future challenges facing the business, any emerging trends that may affect the Group's long-term success and any specific technical skills and knowledge that may be required on the various Committees.

In addition, for appointments to the Board, the Nomination Committee will always assess any potential conflicts of interest and whether identified candidates have sufficient time available to devote to the role and meet what is expected of them effectively.

Before considering any appointment, the Committee will review a detailed updated Board skills and diversity assessment commissioned from and delivered by an in-house team normally consisting of our Group People Director and our in-house IP Executive lead.

The work undertaken in 2022 highlighted a number of recommended updates to the skills profile of the Board, in recognition of the increasing maturity and international focus of IP Group, as well as areas where the depth or breadth of existing experience represented at the Board might be enhanced.

As a result of this work, the Committee agreed that supplementing the current Board with additional expertise in one or more of the following areas would be beneficial to the overall effectiveness of the Board:

- Recent/current large corporate experience, ideally in an environment where innovation is highly valued (either developed in-house or acquired)
- Experience of communicating shareholder value, ideally over a number of different scenarios, supplemented by current contacts and networks within the investment sector
- Life Sciences experience, particularly late-stage therapeutics (market potential/valuations) and/or digital health, or the convergence of technology at the boundaries of AI/Digital/Healthcare
- Professional investment experience and track-record, ideally in a Venture Capital environment
- International experience, ideally covering Australia, Asia or EMEA

The work undertaken by the internal team also highlighted both imminent and long-term succession risks for the Board. In particular, the end of Elaine Sullivan's ninth year of tenure as an independent Non-executive Director in the first half of 2024, and the potential lack of direct Life Sciences experience on the Board after this point.

Following the review of the outputs of the above work, the Committee prepared a detailed job specification for an additional Non-executive Director, with a focus on providing coverage in Life Sciences as well as supplementing the existing Board with one or more of the additional areas of focus highlighted above.

Anita Kidgell, Head of Corporate Strategy at GSK, was identified as a potential candidate for future Non-Executive Director vacancies. In particular, the Committee considered that her experience in strategic development within the Life Sciences sector as well as investor communications would add a fresh

NOMINATION COMMITTEE REPORT.

dimension to the existing strengths on the Board and go some significant way towards mitigating the gaps identified by the Board skills assessment. Given the alignment of Anita's mix of skills and experience with the immediate requirements of the Board, it was unanimously agreed that the Committee should forego a step in its usual appointment process of building a shortlist for the proposed role. The Committee arranged for a full pre-offer due diligence process to be completed on Anita. This diligence process involved a combination of a range of meetings with key members of the internal senior management team; meetings with the Chair and existing Non-executive Directors; and a comprehensive referencing project undertaken by an external consultancy business, Korn Ferry, in order to assure the validity and independence of the Committee's decision.

Following the completion of this rigorous process, the Committee was pleased to recommend unanimously the appointment of Anita to the Board in January 2023 and welcomed her subsequent appointment on 18 January 2023. Anita will complete her comprehensive induction process during the first quarter of 2023. The Group's induction programme is tailored to the needs of each Director, agreed with them in advance and monitored throughout the process to ensure each new Director gains a good understanding of the Group, its strategy, its people and its business. The process for Anita's induction will include:

- An overview of the Group and its businesses, structure, functions, strategic aims, risk management framework and remuneration policies
- Meetings with both Executive Directors, the Company Secretary, members of the senior management team and heads of key functions
- Meetings with both the Group's auditor and internal audit function
- Training on key legal matters relevant to the Group and its policies
- Meetings with the Group's portfolio companies and presentations from them on their businesses
- Sessions as appropriate with the Group's advisors, as well as with appropriate external governance specialists, to ensure understanding of the responsibilities and obligations she accepts as a Director of a FTSE 250 company, and of the governance and legislative framework within which the Board must operate

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 widest possible sense in evaluating the composition of the Board, identifying suitable candidates for the Board and overseeing a diverse pipeline for succession. The Board also demands that the same rigorous approach is applied to roles across the senior management team.

The Group supports the diversity targets and recommendations of the FTSE Women Leader's review (having at least one woman in the Chair or Senior Independent Director role and of 40% female representation on each FTSE 350 board and in senior management teams); and the Parker Review update issued in 2020 (that each FTSE 250 board should have at least one director of ethnic diversity by 2024).

As of 31 December 2022, the Board meets the Financial Conduct Authority's Listing Rule 9.8.6R(9) target of at least 40% of

NOMINATION COMMITTEE REPORT.

individuals on its Board being women, at least one individual on the Board from a minority ethnic background and at least one senior Board position being held by a woman. Diversity information for the Board, senior management and the gender split for the Group as a whole, as at 31 December 2022, can be found on pages 63 and 64.

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 or ethnicity targets in its policies at this stage, it is pleased to note that each of the above targets on gender and ethnic diversity have been either met or exceeded at Board level, and the Group is also very close to meeting the same targets across its senior management team (see data on page 64).

The Board's intention is to continue to maintain female representation at Board level and within the senior management team at or around the current level. Further, it is committed to continuing to consider all aspects of diversity in the wider sense when assessing the overall Board and senior management composition, in making new appointments going forward and in respect of succession planning.

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 addition of two Employee Executives to the Executive Committee in 2021 served to maximise the quality and diversity of thought applied to the decision making process within the Group.

Further, the Nomination Committee is pleased to note the continuation and evolution of the Group's inclusion and diversity strategy overseen by the Group's Inclusion and Diversity Project ("IDP"). During 2022, the IDP developed, refined and agreed the Group's Inclusion and Diversity ("I&D") Masterplan, which includes detailed actions over the first twelve months as well as a forward-looking plan and actions over the next three years. Both the Committee and the Board have received regular updates on the work of the IDP, monitoring progress against deliverables in the Masterplan, as well as taking the opportunity to contribute to the overall development and refining of the Masterplan itself.

This active approach has ensured that the work throughout the Group both reflects and contributes to the Committee's ambition of continued leadership in this area. For further detail of the work of the IDP and of the I&D Masterplan, see pages 61 to 63. The Nomination Committee looks forward to significant continued progress in increasing both inclusion and diversity during 2023.

NOMINATION COMMITTEE REPORT.

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, in October 2021, the Nomination Committee oversaw the implementation of an Executive leadership succession plan. As part of this plan, the number of Executive Directors was reduced from four to two. Greg Smith, previously Chief Financial Officer, was appointed as Chief Executive Officer and David Baynes, previously Chief Operating Officer, as Chief Financial and Operating Officer.

During the latter part of 2021, changes were also made to the Executive Committee. 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 on page 60) were also appointed to the Executive Committee in June 2021 to provide additional diversity of thought to the management team, and to improve decision making as a result.

Given the nature, and extent, of these changes, the Committee was pleased to note that no changes to either the Executive Directors or the Executive Committee were required in 2022. The Committee also notes the continued success of the Employee Executive roles, with both appointees continuing to add significant value to the decision making process at the Executive Committee. It is anticipated that the process to refresh the Employee Executive appointments will take place during 2023, following Executive Committee and Board review.

During the year, and in partnership with the internal HR team, the Committee undertook a comprehensive succession planning exercise for non-Board senior management roles. This exercise looked at each of the senior management roles within the Company in significant detail and reported on short, medium and long-term internal succession options. In each case, development needs for potential successors were identified, and (in discussion with management) these needs are being incorporated into the development plans for each individual.

The Committee noted that, as expected, one of the disadvantages of a small internal team is the lack of "bench" coverage for some roles. In these cases, the Committee noted that emergency plans for either internal coverage via a redesign of roles and responsibilities and/or a plan to cover the roles with external resource for an emergency period should this be required is in place. The Committee is, therefore, satisfied that management focus on succession is sufficient to mitigate any short-term or emergency challenges, and that the management team is balancing succession and continuity requirements with appropriate control over operational expenditure.

Overall, the Nomination Committee remains confident that the Board and Executive Committee are well positioned to deliver the Group's evolving strategy into 2023 and beyond.

Non-Executive Directors

As set out above, as part of the detailed updated Board skills assessment undertaken by our in-house team, the Committee identified a medium-term skills gap when Elaine Sullivan leaves the Board, In addition, the Committee also identified a potential longer-term issue, with the maximum nine-year appointment term of each of the remaining Non-executive Directors, myself, Caroline Brown, Heejae Chae and Aedhmar Hynes, all coming to an end in a short timeframe during 2027/28.

The appointment of Anita Kidgell on 18 January 2023 (as described on page 132) was intended to mitigate the potential medium-term skills gap, as well as supplementing Board capability in other areas. This change increased the number of Non-executive Directors from five to six and, as of now, the Committee intends this increase in number of Non-executives

Read about our **Employee Executives** on **page 60**

NOMINATION COMMITTEE REPORT.

to be a permanent change. Given this, the Committee's current intention is to recruit for further supplementary talent in 2024, around the time of Elaine Sullivan's retirement. This process will start in late 2023, at which point the Committee intends to further develop a plan to mitigate the longer-term continuity issue highlighted above. This plan will then inform both the role profile development and recruitment process for the next appointment.

As part of its consideration of the tenure of each of its Non-executive Directors during 2022, the terms of appointment for each of Dr Caroline Brown and Aedhmar Hynes were formally renewed by the Committee 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.

As planned, during 2022, the Committee was focused on succession planning for the wider Executive Committee and other senior management team members. As set out above, this exercise involved identifying and planning for the development of future leadership talent from within the Group. This work will continue in 2023, with the development of a more robust Group-wide approach to leadership development, with plans to roll out this programme to our Executive Committee, senior leadership roles and future potential succession candidates.

Board effectiveness and performance evaluation

In line with best practice under the Code, the Board carries out a review of the effectiveness of its performance and that of its Committees and Directors every year. This evaluation is externally facilitated every three years with Bvalco Ltd ("Bvalco"), an external independent board advisory business, selected to undertake a full external board evaluation in respect of the year to 31 December 2022. Bvalco was appointed to consider the Board's overall effectiveness and, amongst other things, its composition, diversity, culture and how effectively members work together to achieve objectives. In making its decision to appoint Bvalco, the Committee considered them against a shortlist of alternative providers which the Company Secretarial team had prepared and concluded that the merits of continuing its relationship with Bvalco, with the likelihood of a richer and more detailed analysis as a result and which would include reflections on how the operation of the Board has changed since the 2019 review, were such to make them the preferred candidates for the 2022 review. Bvalco has no connection with the Group or any individual Directors.

Board evaluation process

NOMINATION COMMITTEE REPORT.

Following interim feedback to the Chairman and Company Secretary, the results of the in-depth evaluation exercise were reported back to the Board and each of the Committees, through both written reports and by Bvalco facilitating open discussions at the relevant Board and Committee meetings. The following recommendations and key actions for 2023 have been agreed by the Board in response.

Key theme	2023 actions
Non-executive discussions	Re-instigate regular Non-executive only meetings/dinners around Board meetings, with topics to include how the Non-executives can individually and collectively support the CEO's development and strategy delivery.
Portfolio insight	Encourage active attendance and contribution at Board meetings by the Managing Partners of Life Sciences & Technology; continue to facilitate Board exposure to portfolio companies through presentations by management /the Group's investment teams and/or site visits.
Executive Committee development	Oversee an externally facilitated Executive Committee 360 degree review and support the CEO in any actions arising from the same.
International connectivity	Board to debate and evolve, as required, the Group's international connectivity strategy and focus.
Board composition and succession planning	Continue to develop the Board skills matrix in view of Non-executive and Chair succession requirements by 2027/28; continue to complement Board experience with external expert networks, including to present at Board meetings.
Board effectiveness, culture and development	Interrogate effectiveness of the Board more regularly throughout the year; regular self-evaluation of Board performance post-meeting, including prioritising its time on the right topics and delivering against its 2023 objectives; include periodic discussions in Board rolling agenda on Board culture and dynamics, challenging whether there are ways to improve how the dynamics work; consider Board development day to challenge itself in a differentiated way.
Group Connectivity	Continue to increase connectivity with the wider organisation, including through the use of Board/executive dinners, Non-executive Q&A and Panel discussions, interactive staff social sessions (breakfasts/lunches/drinks) around Board meetings; and Non-executive visits to non-UK operations.

NOMINATION COMMITTEE REPORT.

Read about **inclusion and diversity** on pages 61 to 64

PROGRESS AGAINST 2022 ACTIONS

Set out below is the progress made in 2022 against actions identified through the 2021 internal Board effectiveness review.

Action	Progress
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	The strategic review was finalised in July 2022, following significant Board oversight, input and guidance. This review has resulted in a clearly articulated strategy around five pillars and which is to be delivered in two phases. See pages 18 to 20 for further detail on the Group's strategy.
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	Supported the management team in their shift to monthly Capital Allocation meetings, with the results of those meetings discussed and considered at subsequent Board meetings. In addition, the Board discussed the key points within, and approved, the 2023 operating plan at its strategy days in November 2022. Further, the Board provided significant input and guidance to the Debt Private Placement, helping ensure that the Group chose a financial product that most effectively suited its needs. See page 42 for more detail on the Debt Private Placement.
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	Received regular updates from the Group' Executive Directors on the performance of the share price against NAV and the actions being taken by the Executive team to mitigate the discount, as well as analysis of performance versus peers. Supported the senior management team in the undertaking of an in-depth shareholder perception study by Rothschilds and participated in an interactive session with Rothschilds on the results of the same. Received a presentation from BAML on the Group's strategic options.
To oversee, and engage actively with the Executive Directors and Executive Committee in relation to the workstream on the Group's brand and values	Received regular updates from the Group's Director of Communications on the branding work and the Group's Head of People on the development of a new set of Group values alongside the new brand and inputted where appropriate. In addition, Aedhmar Hynes, on behalf of the Board as a whole, engaged actively with the internal branding team led by the Director of Communications on the new brand, given her background in digital marketing and strategic communications.
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	Frequent Chair/CEO meetings to debate and support strategy delivery. Board attendance and participation at the AGM Investor event. Board representation (through Aedhmar Hynes) on both (i) the selection of branding agency and the branding project workstreams through 2022; and (ii) the selection of new Group communications agency. Regular introductions by Chair and Non-executive Directors to potential financial and non-financial partners.
To continue to champion and monitor greater inclusion and diversity and employee engagement within the Group	Further improved diversity on the Board with the appointment of Anita Kidgell. Oversaw, and contributed to, the development of the I&D Masterplan and received updates from the IDP group through the year on progress against milestones (see page 62). Oversaw and monitored a continued high level of employee engagement, including through Aedhmar Hynes' active engagement with IP Connect, the Group's employee forum, the Employee Executives, and a significant increase in the Group's eNPS score (see page 59).
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	Selected Bvalco to undertake the external Board and Committee evaluation in September 2022 and oversaw the evaluation process, the outcomes of which are detailed on pages 137 and and 139.

NOMINATION COMMITTEE REPORT.

Conclusion of the 2022 review

The 2022 external evaluation concluded that the Board, its Committees and each of its Directors continue to be effective, with the Chair and the CEO together having built an engaged and committed Board and one which is dynamic and energetic in the manner in which it operates. It was observed that the Board shows real diversity, including in gender, ethnicity and also cognitive diversity, and has a challenging and inclusive culture. The effective facilitation of Board meetings by the Chairman, creating an open and transparent culture in which issues are raised, scrutinised, challenged and debated, was also commented upon. In its conclusions, Bvalco further commented on the challenges that the Group faces as it executes on its strategy and evolves, and the need for the Non-executives to support the Executive team through the various complexities and uncertainty and for the Board to work in an integrated way, leveraging the collective strengths of the Directors to build the Group's reputation on a global scale. Finally, it was agreed that good progress had been made against the key actions identified from the 2021 internal review and that the Chairman, the Board and 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. These sessions are to include, as appropriate, further sessions on the Group's ESG reporting, disclosures, governance and processes, continued exposure to and interaction with portfolio companies and their management teams, an annual update of corporate governance environment and trends and presentations from the Group's brokers with regard to shareholder perception, market performance and potential strategic opportunities. The Chairman's performance is reviewed by the Senior Independent Director based on feedback from the Bvalco review together with that derived from discussions with individual Directors; the resulting assessment is discussed with the Chairman by the Senior Independent Director and actions required by the assessment are included in the Chairman's objectives for 2023.

DIRECTORS' REMUNERATION REPORT.

REMUNERATION STATEMENT

Committee membership

The Remuneration Committee currently comprises the following independent Non-executive Directors whose backgrounds and experience are summarised on pages 109 to 112:

- Heejae Chae (Chair)
- Douglas Flint
- Dr Elaine Sullivan
- Caroline Brown
- Aedhmar Hynes
- Anita Kidgell

Report contents

Principal responsibilities

In line with the UK Corporate Governance Code 2018, the terms of reference for the Remuneration Committee were reviewed, and adopted, by the Board in December 2022. 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 attracts and 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 advisors
- 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.

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.

Key activities in the year

- Completed the triennial review of the Directors' Remuneration Policy, including the "first principles" consideration of the Group's overall remuneration philosophy, the definition of appropriate pay levels and the structure and blend of short and long-term incentive opportunities, as reported in detail in the 2021 Directors' Remuneration Report ("2021 DRR") approved by the Committee
- Undertook an in-depth consultation exercise with shareholders and proxy advisory groups as part of the triennial review of Directors' Remuneration Policy, including calls and meetings with shareholders before publication of the 2021 DRR, in the lead up to the AGM and a follow-up consultation post-AGM on the IP Group Share Plan
- Considered the skills and experience of the Executive Directors and carried out a benchmarking exercise in order to determine base salaries and total remuneration opportunity for the period 1 April 2022 to 31 March 2023
- Reviewed the application of the Group's Remuneration Policy for non-director employees, including the Group's approach to salary reviews as well as individual base salaries and incentive scheme targets and pay-outs
- Considered and approved the appropriate vesting level for the 2019 LTIP awards which vested in 2022, and the monitoring of potential out-turns for the 2020 and 2021 LTIP awards
- Considered the level of the 2022 Restricted Share Plan ("RSP") awards, including the application of an appropriate discount to the maximum award to mitigate against potential windfall gains when the 2022 awards vest
- Considered the Annual Incentive Scheme ("AIS") awards and Group performance targets for 2022 and 2023

Structure of this Report

In order to improve shareholder understanding of our Remuneration structure and the approach of the Committee, the following pages contain both a Q&A with the Remuneration Committee Chair and a new Remuneration At A Glance section. As usual, the report also contains a summary of our current Remuneration Policy (or the "Policy"), details of how we intend to implement the Policy in 2023 and detailed disclosure of outcomes in relation to 2022.

DIRECTORS' REMUNERATION REPORT.
Q&A WITH CHAIR

Can you summarise the main issues faced by the Committee in 2022?

During 2022 IP Group faced significant external challenges. Political upheaval in the UK, the deterioration in global macroeconomic conditions and the war in Ukraine all impacted on both investor confidence and the value of our underlying portfolio. All of these external factors had a significant influence on the Group, which was especially stark in the first half of the year. This, of course, fed into the Committee discussions around remuneration – both in terms of Policy implementation for 2022 and remuneration outcomes for both 2021 and 2022.

Whilst the difficult macroeconomic backdrop impacted significantly on in-year results, we believe that the management team has continued to focus in the right areas in setting the business up for long-term success. Strong performance against the objectives that underpin our strategy, and excellent progress in the unquoted portfolio based upon a continued cautious approach to valuation underline this.

On the remuneration front, much of the Committee focus during 2022 was on the completion of our remuneration policy review, and in ensuring that the policy proposals put to shareholders at the AGM were, and remain, aligned directly to shareholder interests.

What are your reflections on the policy changes approved in 2022?

Our overriding aim during the Remuneration Policy review process was to create a greater alignment between the management team and our shareholders. We were seeking to achieve this primarily through building and reinforcing the culture and mindset of ownership across the leadership of the business, as well as seeking to align management incentive outcomes with the long-term, asymmetric nature of our investments.

I strongly believe that our approach, which combines awards of Restricted Shares, with a reduction in annual bonus opportunity and an increase to the Executive Director shareholding guidelines will achieve these objectives. Based on my conversations on Policy during the recent review, I believe that the majority of our shareholders share this view.

2022 provided a stark illustration of the impact of short-term volatility on both the Group and our sector more widely. Our new Policy, combined with our focus on fair, long-term remuneration outcomes when considering annual implementation, provides the framework to maximise the alignment between our management team and our shareholders.

A summary of our policy and remuneration outcomes for 2022 is set out in the new "At a Glance" section of this report on page 144.

How did the Committee implement the Remuneration Policy in 2022?

As set out above, much of the Remuneration Committee activity at IP Group is concerned with ensuring that our policy and target setting is fair, equitable and aligned with shareholder interests. Ensuring these strong foundations are in place allows us to take a careful and considered approach to implementation. This was no different in 2022. Much of the early part of the year was spent discussing our proposed Remuneration Policy with shareholders, and ensuring our proposals fully aligned with shareholder interests.

Once our proposed Policy was approved by shareholders in June, the Committee carefully considered the appropriate implementation approach. The approach to both base pay, with no increase to the salaries set at appointment, and AIS, with a reduction in maximum to 75% of salary and a changed target structure, were clearly set out in the policy. Both of these changes were implemented in full.

DIRECTORS' REMUNERATION REPORT.

Q&A WITH CHAIR

However, the approved Policy determined only the maximum level of RSP grant, with the Committee determining the actual 2022 grants following approval of the Remuneration Policy and Share Plan Rules at the 2022 AGM. In determining the final grant level, the Committee carefully considered both feedback from shareholders and the significant changes in the macroeconomic environment through the first part of the year. The Committee also noted a significant reduction in share price of the Group in the period between the 2021 LTIP grant and the 2022 RSP grant.

With all of this in mind, and with a focus on seeking to avoid windfall gains upon vesting, the Committee made the decision to scale back the 2022 RSP awards from the maximum level allowed by the Policy. Awards were thus scaled back by 25% from the normal maximum level, with final 2022 awards being 150% of salary (CEO) and 100% of salary (CFOO).

What are the plans for Executive Director Remuneration in 2023?

The Committee continues to consider remuneration from a long-term, shareholder aligned stewardship viewpoint. Our approach is based on finding the optimum balance between cost management and the retention and motivation of the right talent to deliver outsized shareholder returns.

In 2023, we believe this will be achieved through a combination of restrained increases in basic salary, stretching AIS targets for the year and the maximum RSP awards permitted under the policy. As such, we would expect:

- Base salaries to rise by 4% to £546,000 for the CEO and £374,400 for the CFOO – significantly lower than the expected average for the wider workforce (7.4%)
- Maximum AIS to remain at 75% of base salary, with 50% of the outcome based on stretching NAV performance and 50% on other strategic targets
- RSP awards of 200% of salary for the CEO and 133% of salary for the CFOO, in line with the Remuneration Policy approved in 2022

Where relevant, performance targets will remain stretching and all vesting remains subject to Committee oversight and its discretion to adjust outcomes. Our objective is to ensure that overall remuneration outcomes are aligned with the experience of our shareholders and other stakeholders, and as such our overall approach is a focus on driving direct alignment by ensuring our Executive Directors build and maintain a meaningful equity stake in IP Group.

How has the Committee engaged with shareholders since the last report?

As set out in the 2021 report, we undertook a comprehensive engagement programme with shareholders before publishing the Remuneration Policy and new Share Plan proposals put to vote at the 2022 Annual General Meeting. We continued to engage with shareholders all the way up to the AGM, in order to fully understand and seek to address any outstanding concerns. Following the 2022 AGM, we were pleased to note the significant majority of shareholders were in favour of the thoughtful and distinctive approach we had taken to best align our Remuneration Policy with the strategy and characteristics of our business, which we believe was a direct result of this comprehensive two-way engagement.

We did, however, receive the support of just under 80% (79.19%) of shareholders voting at the AGM in relation to the resolution to adopt the new Share Option Plan rules. As a result, we wrote again to shareholders following the AGM to solicit any further feedback on the rules and/or the reasons why they had felt unable to support them. As we had already undertaken an extensive consultation on the new remuneration policy and the new Restricted Share Plan, this consultation process did not result in any substantive additional feedback from shareholders. Therefore we plan to continue to grant awards under the IP Group plc Share Plan rules approved at the 2022 AGM without any further amendment.

Outside of the very significant level of engagement detailed in the 2021 report and above, we have not had any further specific engagement with shareholders during 2022. However, we remain committed to maintaining open and transparent remuneration principles and practices, and always welcome the opportunity to discuss the topic with shareholders to ensure we remain fully aligned.

How has the Committee engaged with employees since the last report?

In February 2023, Aedhmar Hynes (our Designated NED) and I directly engaged with our employee forum "IP Connect" on the subject of Executive remuneration. We aim to ensure that this direct dialogue with employees takes place at least once each year, to ensure that our employees have the opportunity to both challenge our direction and inform our decision making process.

The challenges provided by the employee group informed our decisions around both salary levels for 2023 and bonus outcomes for 2022. Overall, we were encouraged by the level of engagement and quality of challenge. It was also reassuring to find that our overall strategy for Executive remuneration (outlined in the Policy) remains well understood, and is considered by employees to be fair, equitable and reasonable in the context of the remuneration we offer elsewhere in the business.

DIRECTORS' REMUNERATION REPORT.

REMUNERATION POLICY SUMMARY

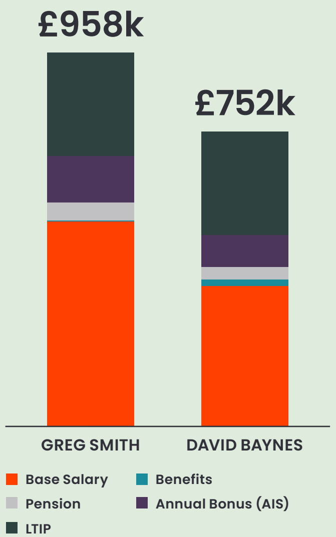
Set out below is a summary of the Remuneration Policy, which was approved by shareholders at the AGM held on 15 June 2022, and which is effective for a period of up to three years from approval. The full text of the Remuneration Policy can be found on page 118 to 124 of the 2021 Annual Report and Accounts, and is available on the Group's website at www.ipgroupplc.com.

Element	Purpose and link to strategy	Policy and approach
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.	Market median benchmark. Reflects lower upside potential and talent market perspective. Annual salary increases to not normally exceed the average increase awarded to other UK-based employees.
Pension	To provide a competitive post-retirement benefit in a way that manages the overall cost to the Group.	Maximum contribution of 10% – aligned to workforce. Contribution made either to Group Pension Plan, personal pension plan of the Executive's choosing or an equivalent cash alternative.
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.	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. 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.
Annual Incentive Scheme ("AIS")	To provide a simple, performance-linked annual incentive mechanism that will: • 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 • align the interests of management and shareholders	Maximum payment of 75% salary, with payment based upon an appropriate mix of financial and strategic targets. Targets are reviewed annually prior to the start of each financial year to ensure the detailed performance measures and weightings are appropriate and continue to support business strategy. Performance targets are set at or around the start of each financial year. 50% of any amount above £25,000 deferred into shares for two years. Malus and clawback provisions also apply.
Long-term award: restricted shares	To provide market competitive long-term share awards, which align the interests of management and shareholders.	Restricted Share Plan awards. Maximum annual awards of 200% of salary (CEO) or 133% of salary (CFOO). Vesting subject to a performance underpin and Committee discretion, with a three-year vesting period and two-year holding period post-vesting. Malus and Clawback provisions also apply.
Shareholding guidelines	Align the interests of management and shareholders.	Minimum shareholding requirement of 350% of salary (CEO) or 250% of salary (CFOO), with post-cessation holding requirement applying for two years after exit.
Portfolio company share awards and carried interest	Balance our policy of encouraging direct investment in the portfolio below executive director level with appropriate controls to ensure that all decisions are made with the best interests of shareholders and other stakeholders in mind.	Direct investment in portfolio companies by Executive Directors is prohibited after appointment, with the exception of the take-up of pre-emption rights on existing investments. No Executive Director participation in carried interest pools.

REMUNERATION AT A GLANCE.

2022 Single Figure

	GREG SMITH CEO	DAVID BAYNES CFOO
Base salary	£525k	£360k
Annual bonus	£120k (30% of maximum)	£82k (30% of maximum)
LTIP (Long term incentive plan)	£264k (51% of original award)	£264k (51% of original award)

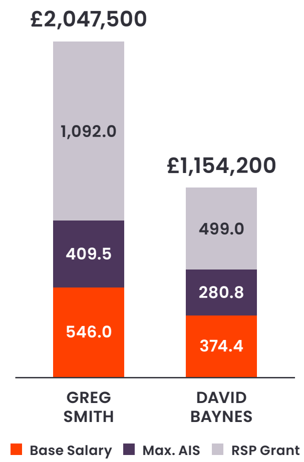


Base Pay & Total Package

Base Salary Increase

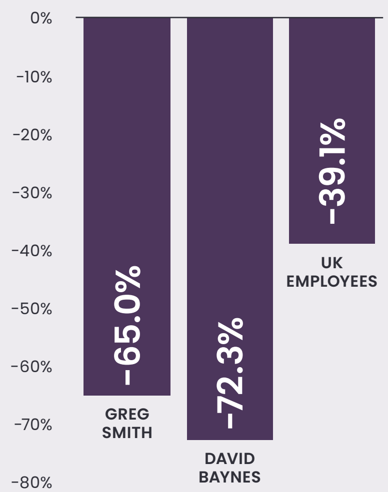
	APRIL 2023	APRIL 2022
GREG SMITH	4%	0%
DAVID BAYNES	4%	0%
UK EMPLOYEES (AVERAGE)	7.4%	8.4%

2023 Implementation

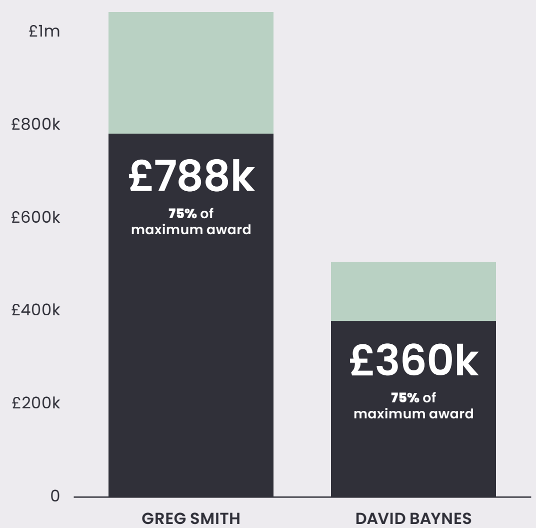


Variable Pay, Awards & Outcomes

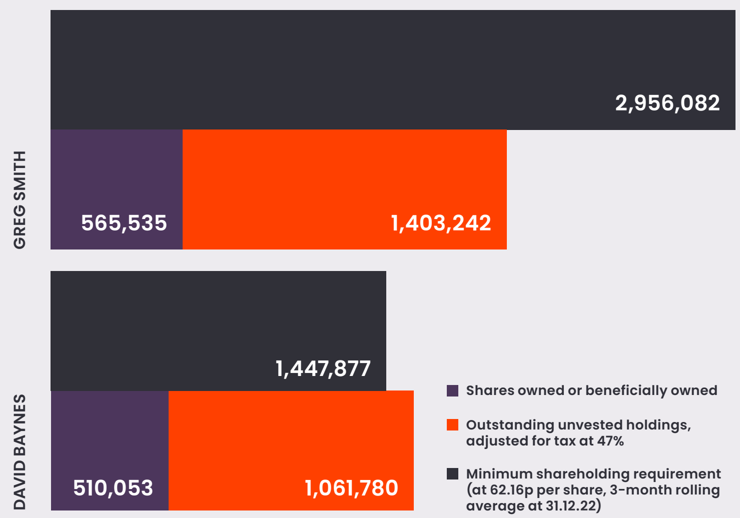
% Change in Bonus



RSP Awards



Directors' Shareholdings



ANNUAL REMUNERATION STATEMENT.

STATEMENT OF IMPLEMENTATION OF REMUNERATION POLICY IN 2023

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.

In 2023, we will continue to base our approach on the Remuneration Policy approved by shareholders in 2022. Our approach combines market aligned base salary levels with short and long-term incentives, which underpin long-term shareholder value creation through a focus on building an ownership mindset in the senior team. In 2023, this will be implemented as set out below.

Salary

As explained in the 2021 report, upon appointment to their current roles in October 2021, salaries for both Greg Smith and David Baynes were set at market competitive levels. As such, the Committee expects a period of moderate salary increases for both individuals at or below the level that is applied to the wider workforce. This has informed the approach for 2023, where inflationary rises for both Executive Directors and the wider leadership team were lower than the average increase in the rest of the business.

With effect from April 2023, the salaries of the Executive Directors will be:

	2023/24 base salary	2022/23 base salary	Increase %
Greg Smith (CEO)	**£546,000**	£525,000	4.0%
David Baynes (CFOO)	**£374,400**	£360,000	4.0%

For reference, in 2023 the average increase for the wider workforce is expected to be around 7.4%. This higher than usual level reflects the sustained period of high inflation experienced by our employees more generally, and associated cost-of-living pressure. We have also responded to this during 2022 by making a one-off "Cost-of-Living Supplement" payment of £2,000 to our least well-paid employees, further details of which are set out on page 61.

Pension and benefits

Pension and benefits will continue to be in line with the levels stated in the Policy table set out on page 143. Pension levels for both Executive Directors are aligned with the wider workforce, with employer contributions of up to 10% of salary.

Annual Incentive Scheme ("AIS")

The maximum AIS opportunity will remain at 75% of base salary for both Executive Directors, in line with the Policy approved last year. The approach to setting targets will also remain consistent with the policy and the approach applied for 2022.

As such, half of the 2023 AIS will be based upon Group NAV growth, 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 with top current commercial priorities, and for which stretching objectives have been 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 the 2023 AIS will be based on ESG performance. We first introduced this metric in 2020, since which time we have utilised a combined employee engagement and culture metric to determine bonus outcomes in this area. This has been successful in driving development within the business, but the Committee feels it is now time to re-focus this objective on a more rounded measure, with a more specific focus on environmental targets.

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STATEMENT OF IMPLEMENTATION OF REMUNERATION POLICY IN 2023

For 2023, the AIS outcomes will, therefore, be determined based on the following mix of targets:

- 50% on achievement of the targeted levels for the Group's audited NAV per share
- 37.5% on performance against key commercial objectives
- 12.5% based on ESG metrics aligned to our sustainability strategy

The Committee considers that this mix of metrics is aligned with the interests of shareholders and other stakeholders and, as in prior years, has determined the performance metrics that are required to be achieved during 2023. In reflection of our commitment to transparency, we are again disclosing our NAV and ESG targets prospectively.

The NAV element will be awarded at 25% of the maximum level provided a minimum level of audited NAV per share of 139.5p is achieved by the end of the year, and will be awarded in full if audited NAV per share exceeds 152.8p.

The ESG element will be split, with half being awarded on internal performance and half based on external impact measures. The internally focused element will be awarded if we exceed our peer average across our three key external ratings (MSCI, ISS and FTSE). For 2023, the externally focused element will be based on the definition of bespoke impact metrics within a sub-set of our portfolio. This approach is directly aligned to our rounded strategic focus on ESG set out on pages 46 to 71 and in our accompanying Meaningful impact report.

The targets relating to the key commercial objectives, as well as the performance against all of the 2023 targets, will be disclosed in the 2023 Directors' Remuneration Report.

Overall, the targets for all AIS measures set are considered by the Committee to be aligned to strategy and appropriately stretching, especially in light of the current economic climate and 2022 performance. However, and in line with the Remuneration policy, the Committee may adjust any 2023 outcome to take into account overall business or individual performance or any other factors it considers appropriate.

Restricted Share Plan

As outlined in my Q&A on page 141 and described in the following detail, the Restricted Share Plan ("RSP") awards made in 2022 were reduced from the maximum level by 25%, with awards of 150% of base salary (CEO) and 100% of base salary (CFOO) being made. The Committee made this adjustment based on feedback from shareholders during the consultation phase of the current Remuneration Policy, together with the significant change in the macroeconomic environment since the start of the year as well as the decline in the IP Group share price between the 2021 LTIP and 2022 RSP award dates. The Committee considered the adjustment a prudent and sensible approach to avoid windfall gains for the Executive Directors in the event of economic recovery. The same adjustment was applied to similar awards made below Board level.

This year, the Committee intends to make RSP awards to Executive Directors at the normal maximum level allowed by the Remuneration Policy, being 200% of base salary for the CEO and 133% of base salary for the CFOO. Unlike last year there has been no significant decline in share price between the 2022 and 2023 awards, and the Committee is comfortable that these award levels are appropriate.

ANNUAL REMUNERATION STATEMENT.

STATEMENT OF IMPLEMENTATION OF REMUNERATION POLICY IN 2023

Vesting of these awards will take place over a three-year period commencing on 1 April 2023. Any RSP awards that vest will be subject to a further two-year holding period. Vesting will be subject to a financial underpin based on adjusted NAV per share growth over the vesting period. For 2023 awards, the financial underpin has again been set such that 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.

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 a serious breach of regulation, failure to sufficiently progress against ESG objectives, material reputational damage and gross misconduct. In the event of any underpin condition not being met, the Committee will review the number of RSP awards which are due to vest, and may reduce (in full or in part) the number of shares that ultimately vest.

Chair and Non-executive Directors

With a small Board, the Group relies heavily upon a deep level of commitment from the Chair and all of the Non-executive Directors. Each Director serves on multiple Committees as well as the Board itself. Our Chair provides significant operational support to the management team, committing time and delivering value to the business and it's stakeholders well beyond that required by his role.

At the same time, fee levels for both the Chair and the Non-executive Directors have slipped behind market levels. We are therefore proposing to remedy this with a one-off correction in Fee levels for all Non-executive positions in 2023, in order to ensure that we fairly reward all members of the Board for their overall contribution to the business.

We will therefore increase our Non-executive Director fee to £57,500 from April 2023, from the current level of £49,000, a c.17% increase. Our Chair fee will increase to £227,000 from £191,000, a similar increase of c.18%. These fee levels have been set based on market median levels for the lower half of the FTSE250, and we note that even after the intended increase our fee levels still remain below the median level for the FTSE250.

Additional fees for Committee Chairs, Designated NED and for being Senior Independent Director shall remain unchanged at £10,000. There is no additional fee payable for membership of a Committee.

ANNUAL REMUNERATION STATEMENT.

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 2022 and 2021.

	Base salary/ fees[1]		Benefits[2]		Pension[3]		Total fixed		Annual bonus ("AIS")[4]		LTIP[5]		Total Variable		Total	
All £000s	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Greg Smith	**525**	354	**3**	3	**46**	31	**574**	388	**120**	342	**264**	–	**384**	342	**958**	730
David Baynes[6]	**360**	307	**14**	17	**32**	27	**406**	350	**82**	297	**264**	–	**346**	297	**752**	647
Douglas Flint	**189**	181	**–**	–	**–**	–	**189**	181	**–**	–	**–**	–	**–**	–	**189**	181
Elaine Sullivan	**48**	46	**–**	–	**–**	–	**48**	46	**–**	–	**–**	–	**–**	–	**48**	46
Caroline Brown	**66**	56	**–**	–	**–**	–	**66**	56	**–**	–	**–**	–	**–**	–	**66**	56
Aedhmar Hynes	**68**	57	**29**	12	**–**	–	**97**	69	**–**	–	**–**	–	**–**	–	**97**	69
Heejae Chae	**58**	56	**–**	–	**–**	–	**58**	56	**–**	–	**–**	–	**–**	–	**58**	56

1 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.

2 Travel 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.

3 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.

4 AIS executive bonus outturn was 30.4% of the maximum for 2022. 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.

5 The 2022 LTIP value is based on the 2019 LTIP, which vested on 31 March 2022. The value shown has been calculated using the share price on the date of vesting (90.0p) and includes the value of dividend equivalents accrued in the vesting period. As the share price on the date of vesting was below the price on the date of grant none of the amounts in the table are attributable to share price appreciation.

6 David Baynes receives an annual car allowance or equivalent thereof of £12,000. He has also participated in our Electric Vehicle salary sacrifice scheme since 30 September 2022, sacrificing gross salary of £2,723 during this period, and has use of an electric vehicle with a taxable benefit of £250 in 2022. The benefits figure reported for David Baynes includes all of these amounts in aggregate.

Additional disclosures for single figure for total remuneration table

Annual Incentive Scheme

The targets for the 2022 AIS for Executive Directors were set in line with the Statement of Implementation for 2022 laid out in the 2021 Directors' Remuneration report. That is, AIS outcomes for 2022 have been determined based upon the following mix of targets:

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

ANNUAL REMUNERATION STATEMENT.

The detailed performance conditions used to calculate initial AIS outturn for 2022 are set out in the table below.

Performance condition (% weighting)	Vesting criteria	Actual performance (% OF COMPONENT)
Return on NAV (50%)	5% return (£87m): 25% of maximum opportunity ("threshold") 15% return (£262m): 100% of maximum opportunity	Below threshold return 0% of component
Strategy: Liquidity as a strategic asset (12.5%)	£nil to £75m (sliding scale) excluding any contribution from Oxford Nanopore Technology	£27.9m 37.23% of component
Strategy: Access to third-party capital (12.5%)	Access to new co-investment capital of £20m (25% of maximum opportunity) to £100m (100% of maximum opportunity)	Access to £42.77m (equivalent) of new capital 46.3% of component
Strategy: Delivery of Priority Workstreams (12.5%)	Delivery of five priority workstreams, which underpin the sustainability of the underlying business and/or directly support shareholder value creation. For 2022 includes definition of updated operating strategy; successful debt placement; achievement of all diversity & inclusion milestones; delivery of revised brand/brand architecture; and reduction of our gap between Group share price and NAV per share.	Updated operating strategy: 100% (of 2.5% component) Successful debt placement: 100% (of 2.5% component) Diversity & inclusion milestones: 100% (of 2.5% component) Revised brand/brand architecture: 100% (of 2.5% component) Reduction of the gap between share price and NAV (rolling three-month measure): 0% (of 2.5% component) 80% of component overall
ESG: Employee engagement and culture (12.5%)	Demonstrable improvement in employee engagement, based on both objective and subjective measurements in a sliding scale. Aligned to on the non-financial KPI outturn	80% score on non-financial KPI (see page 45 for details) 80% of component awarded
Total weighted outturn		30.4% 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 that whilst the Company had experienced a relatively stark decline in NAV, the majority of this was attributable to the decline in the quoted portfolio, and particularly the decline in value of Oxford Nanopore Technologies plc. Such decline means that the award of any AIS to the Executive Directors has been carefully considered by the Committee, but in its deliberations the Committee also noted the relatively strong performance of the unquoted portfolio as well as significant progress in a range of areas expected to underpin shareholder value growth as the Group moves forward.

As such, the Committee determined that the calculated outcome aligned with a fair assessment of performance over the year, and that no discretionary adjustment to this calculated outcome was therefore required.

The resulting AIS outturn for 2022 for the Executive Directors was, therefore, determined as 30.4% of maximum opportunity. In accordance with the Remuneration Policy, all amounts to individuals above an initial minimum amount paid in cash, which for the 2022 AIS is £25,000, will be paid 50% in cash and 50% in shares (deferred over two years under the Group's Deferred Bonus Share Plan "DBSP").

ANNUAL REMUNERATION STATEMENT.

Share-Based Incentive Schemes

2019 LTIP awards that vested in 2022

As reported in the 2021 Directors' Remuneration Report, the performance of the Group over the vesting period of the 2019 LTIPs, which vested in March 2022, was sufficient for the awards to partially vest.

Group NAV (the Group's net assets excluding intangibles) growth to 31 December 2021 was above the minimum threshold and below the maximum threshold. The one-month average share price at 31 March 2022 was below the lower Total Shareholder Return ("TSR") target and that of the FTSE 250. On this basis, the 2019 LTIP award vested as expected at 51.1% of maximum on 31 March 2022. The 2022 disclosure in the Single Figure For Total Remuneration table (page 148) relates to this vested award.

After the end of the vesting period, the Committee considered the calculated level of vesting in the context of performance delivered over the vesting period, and determined that 51.1% was a fair reflection of performance over that period. In making this determination, the Committee considered the level of overall performance during the vesting period, the shareholder experience over that time and the contribution of the individual Executive Directors over the same period.

The vested 2019 LTIP awards are subject to a further two-year holding period, with shares only being issued to participants at the end of this period.

2020 LTIP Awards due to vest in 2023

The 2020 LTIP awards are based on the performance of the Group's NAV for the three financial years ending on 31 December 2022 and TSR from 1 April 2020 to the ordinary vesting date, being 31 March 2023, 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 2020 LTIP outturn

TSR (p.a.)	15%	60%	75%	**76.0%**	90%	100%
	10%	30%	45%	**46.0%**	60%	90%
	8%	12.5%	25%	**26.3%**	45%	75%
	<8%	0%	12.5%	**13.6%**	30%	60%
		<8%	8%	**8.1%**	10%	15%
				Growth in NAV (p.a.)		

ANNUAL REMUNERATION STATEMENT.

Performance condition	Target performance	Actual/forecast performance
Group NAV (at 31 Dec 2022)	8%: £1.37bn 15%: £1.66bn	£1.38bn (8.1% p.a.)
Annual TSR[1] (share price)	8%: 69.9p 15%: 82.3p	65p (4.8% p.a. growth)
Comparative TSR	FTSE 250 -3.7%	IP Group 4.8%

[1] TSR performance shown reflects the Group's one-month average share price to 3 March 2023. Actual performance period is the one-month average to 31 March 2023.

The actual performance of the Group in terms of NAV growth to 31 December 2022 was above the minimum threshold and below the maximum threshold at a compound annual rate of 8.1%. At the time of publication, the one-month average share price is expected to result in performance below the lower TSR target.

On this basis, the 2020 LTIP award is expected to vest at 13.6% of maximum, as illustrated in the table on page 150. The table also illustrates the potential variation in final calculated vesting, which will depend upon share price performance throughout March 2023. Vested LTIP awards will be subject to a further two-year holding period, following which shares will be issued to participants in respect of these awards.

As above, final vesting will be determined after the end of the vesting period on 31 March 2023, and will be subject to the Remuneration Committee determination that the calculated vesting amount is a fair and reasonable reflection of performance through the vesting period and that it should not apply the discretion it reserves itself to adjust the outcome.

In making a final determination of the proportion of the 2020 LTIPs which will vest, the Committee will take into account the need to avoid windfall gains (the 2020 award price being impacted by the early effects of the COVID-19 pandemic). The number of conditional shares awarded in 2020 was reduced at grant in order to mitigate this risk, and the Committee is mindful that the current share price is broadly aligned with the price at grant. As such, the Committee does not currently envisage a further reduction is necessary, but will make a final determination at vesting.

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2022 Restricted Share Plan Awards

As set out in the 2022 Remuneration Policy, we introduced a Restricted Share Plan ("RSP") in 2022 to replace the previous LTIP structure. In accordance with the Policy, in 2022 an award of restricted shares was made to each Executive Director, as set out in the table below:

Executive Director	Type of interest	Basis of award (% salary)	Face value[1] (000s)	End of underpin period
Greg Smith	2022 RSP	150%	£788	31 Mar 2024
David Baynes	2022 RSP	100%	£360	31 Mar 2024

The RSP awards made in 2022 were reduced from the normal maximum level by 25%, with awards of 150% of base salary (CEO) and 100% of base salary (CFOO) being made. This compares to the normal maximum level permitted by the policy of 200% (CEO) and 133% (CFOO).

The reduced awards were made primarily in recognition of the reduction in share price over the period from the 2021 LTIP grant date (5 May 2021, closing price 125.4p) to the 2022 RSP grant date (28 June 2022, closing price 75.5p). The Committee considers that the majority of this decrease in share price occurred as a result of macroeconomic factors, and as such has reduced the award to mitigate the risk of a windfall outcome at vesting in the event of a sustained economic recovery.

In reaching this decision, the Committee also considered feedback from shareholders received on the revised Remuneration Policy during the consultation period. In particular, the Committee noted that some shareholders had expressed reservations over the smaller than usual level of discount when comparing the maximum level of award under the RSP to the maximum LTIP award allowable under the previous Remuneration Policy.

Whilst the Committee continues to believe that the maximum award permitted under the Policy (being 200% of salary for the CEO, 133% of salary for other Executive Directors) is set at an appropriate and reasonable level, it also recognises the responsibility to make individual awards in a prudent and responsible way, only utilising the maxima agreed under the Policy when it is confident that such awards are appropriate and in the best interests of shareholders.

The Committee, therefore, determined that making awards at the maximum level in 2022 was not appropriate in this context.

ANNUAL REMUNERATION STATEMENT.

Change in remuneration of the Directors compared to Group employees

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

	% Change in base salary			% Change in bonus			% Change in benefits (excluding pensions)		
	2021 to 2022	2020 to 2021	2019 to 2020	**2021 to 2022**	2020 to 2021	2019 to 2020	**2021 to 2022**	2020 to 2021	2019 to 2020
Greg Smith	**48.4%**	20.8%	5.9%	**(65.0)%**	23.5%	254.1%	**(2.3)%**	4.2%	5.1%
David Baynes	**17.4%**	7.7%	2.0%	**(72.3)%**	11.2%	241.0%	**(14.1)%**	17.6%	5.2%
Douglas Flint	**4.2%**	2.0%	2.2%	**–**	–	–	**–**	–	–
Elaine Sullivan	**4.6%**	2.2%	1.8%	**–**	–	–	**–**	–	–
Caroline Brown	**17.1%**	1.8%	1.8%	**–**	–	–	**–**	–	–
Aedhmar Hynes	**19.6%**	19.8%	1.8%	**–**	–	–	**142.0%**	–	–
Heejae Chae	**3.8%**	1.8%	1.8%	**–**	–	–	**–**	–	–
UK employees	**10.4%**	5.9%	8.0%	**(39.1)%**	59.3%	78.7%	**11.9%**	7.9%	4.7%

ANNUAL REMUNERATION STATEMENT.

Historical Executive pay and Group performance

The table and graph set out below enable a comparison of the TSR of the Group and the Chief Executive Officer remuneration outcomes over the last ten years.

The chart below shows the Company'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 2022. 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 TSR of the Company should be measured.

Source: Datastream

ANNUAL REMUNERATION STATEMENT.

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 ten years.

Chief Executive Officer	2013	2014	2015	2016	2017	2018	2019	2020	2021[1]	2022
CEO single figure of remuneration (£000s)	2,231	902	669	265	552	413	498	797	730	**958**
Annual bonus pay-out (% of maximum)	100%	0%	100%	0%	57%	17%	28%	93%	96.3%	**30.4%**
LTIP vesting (% of maximum)	100%	100%	57%	0%	0%	0%	0%	0%	0%	**51.1%**

1 2021 and years thereafter relate to Greg Smith, who was appointed as CEO on 7 October 2021 (previously CFO). Previous years reported related to Alan Aubrey.

Directors' shareholdings and share interests

The Group's Remuneration Policy determines a minimum shareholding requirement for each of the Executive Directors. The Remuneration Policy approved in 2022 increased the minimum level to 350% of salary for the Chief Executive Officer (from 200%), and 250% of salary for other Executive Directors (including the CFOO, from 150%).

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 RSP, LTIP and DBSP to ensure that minimum levels are met and maintained, in line with the Policy.

Interests in shares (audited)

The Directors who held office during 2022 had the following beneficial interests in the ordinary shares of the Company:

At 31 December 2022	Total interest in shares				Total unvested holdings		
Current Directors	Shares owned Number	Shares which have fully vested but have not yet been issued[1]	Total Interest	Minimum Shareholding requirement met?[2]	LTIP	DBSP	RSP
Greg Smith	412,220	153,315	565,535	No	1,378,122	226,459	1,043,046
David Baynes	356,738	153,315	510,053	No	1,327,435	199,115	476,809
Elaine Sullivan	–	–	–	–	–	–	–
Sir Douglas Flint	48,500	–	48,500	–	–	–	–
Heejae Chae	32,172	–	32,172	–	–	–	–
Caroline Brown	–	–	–	–	–	–	–
Aedhmar Hynes	21,000	–	21,000	–	–	–	–

1 The number of LTIP shares which have vested in full but remain in the holding period. The total number of shares is adjusted down by 47% to account for an estimate of the tax which will become due when they are issued.

2 Based on owned/vested shares only.

There have been no changes in the interests of the Directors set out above between 31 December 2022 and 7 March 2023.

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Share-Based Incentive Plan Awards (audited)

The Executive Directors' participations in the Group's Long Term Incentive Plan ("LTIP") and Restricted Share Plan ("RSP") are set out in the table below:

	Number of shares conditionally held at 1 January 2022	Conditional shares notionally awarded in the year	Vested during the year[1]	Lapsed during the year	Potential conditional interest in shares at 31 December 2022	Share price at date of conditional award (p)	Earliest vesting date(s)
Greg Smith							
2019 LTIP	566,094	–	289,274	276,820	–	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
2022 RSP	–	1,043,046	–	–	1,043,046	75.50	31-Mar-25
	1,944,216	**1,043,046**	**289,274**	**276,820**	**2,421,168**		
David Baynes							
2019 LTIP	566,094	–	289,274	276,820	–	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
2022 RSP	–	476,809	–	–	476,809	75.50	31-Mar-25
	1,893,529	**476,809**	**289,274**	**276,820**	**1,804,244**		

1 LTIP awards vesting during the year will be subject to a further holding period of two years, with shares not being issued to participants until the end of the holding period. The actual number of shares to be issued at the end of the holding period will be adjusted in aggregate to account for any dividends paid during the vesting and holding period. For the 2019 LTIP awards which vested in 2022, this adjustment will be at least x1.01214, but is likely to rise further with dividend payments during the holding period.

ANNUAL REMUNERATION STATEMENT.

Deferred bonus share plan ("DBSP") (audited)

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 2022	Option awarded in the year	Exercised during the year	Lapsed during the year	Options held at 31 December 2022	Share price at date of award (p)	Earliest vesting dates
Greg Smith							
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
Deferral from 2021 AIS	–	88,100	–	–	88,100	90.00	31–Mar–23
Deferral from 2021 AIS	–	88,100	–	–	88,100	90.00	31–Mar–24
	122,203	**176,200**	**71,944**[1]	–	**226,459**		
David Baynes							
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
Deferral from 2021 AIS	–	75,451	–	–	75,451	90.00	31–Mar–23
Deferral from 2021 AIS	–	75,451	–	–	75,451	90.00	31–Mar–24
	118,111	**150,902**	**69,898**[2]	–	**199,115**		

1 Actual number of options released for exercise was 72,817, reflecting the adjustment made to options held to account for dividend payments made during the holding period.

2 Actual number of options released for exercise was 70,746, reflecting the adjustment made to options held to account for dividend payments made during the holding period.

ANNUAL REMUNERATION STATEMENT.

Save as You Earn ("SAYE") (audited)

The Group operates an HMRC-registered SAYE share save scheme for all UK employees in which both Executive Directors have participated during the year, as listed in the table below.

	Options held at 1 January 2022	Options awarded in the year	Exercised during the year	Lapsed during the year	Options held at 31 December 2022	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	01-Nov-2022
2022 SAYE	–	27,692	–	–	27,692	65.0	81.25	01-Nov-2025
David Baynes								
2019 SAYE	34,816	–	–	–	34,816	51.70	64.60	01-Nov-2022
2022 SAYE	–	27,692	–	–	27,692	65.0	81.25	01-Nov-2025

Relative importance of spend on pay

The table below shows total employee costs, change in shareholder distributions, change in NAV and change in share price from 2021 to 2022.

	2022	2021	% change
Total employee costs (£m)	20.0	22.4	-11%
Distributions to shareholders (dividend or share buy back, £m)	20.7	42.8	-52%
NAV (£m)	1,381.2	1,738.1	-21%
Share price (p)	55.8	123.8	-55%

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

Total employee pay: total employee costs from note 9 on page 207 including wages and salaries, social security costs, pension and share-based payments.

Change in NAV: change in the Group's net assets excluding goodwill and intangibles taken from the statement of financial position on page 190.

ANNUAL REMUNERATION STATEMENT.

External appointments for Executive Directors

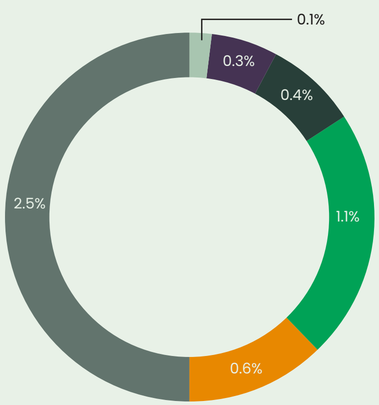
Any proposed external directorships are considered by the Board to ensure they do not cause a conflict of interest but, subject to this, Executive Directors may accept a maximum of two external Non-executive appointments and, indeed, the Board believes that it is part of their ongoing development to 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 companies in which the Group holds shares) held by Executive Directors are set out on pages 109 to 112.

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 (i) not exceed 10% of the issued ordinary share capital of the Company; and (ii) such shares issued on a discretionary basis shall not exceed 5% 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, but any shares utilised from treasury would be included. As a result of the share buyback programme which the Company commenced in October 2021, 29,708,621 shares were bought back and held in treasury by the Company. 830,322 of these treasury shares were utilised in connection with the Group's incentive schemes during the year, a further 437,075 used to settle the SAYE scheme and 330,851 to settle the scrip dividend. These are included where relevant in the numbers below. As at 31 December 2022, 28,110,373 shares were held in treasury.

As at 7 March 2023, the Company's headroom position, which remains within such guidelines, was as shown in the chart.



Key
- Vested LTIP awards in past ten years – Executives
- Vested LTIP awards in past ten 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%)

ANNUAL REMUNERATION STATEMENT.

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 two further three-year periods and are terminable on three months' notice by either party.

During the year, Dr Caroline Brown and Aedhmar Hynes initial three-year terms were extended by a further period of three-years. As reported in the Nomination Committee report on page 133, an additional Non-executive Director appointment (Anita Kidgell) was made after the end of 2022.

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 and will do so at the AGM to be held on 15 June 2023. In the case of Ms Kidgell, given she was appointed since the last AGM in 2022, she will be submitting herself for election by shareholders at the 2023 AGM in accordance with the Company's articles of association.

Effective dates of service contracts of the Executive Directors

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 Flint[1]	17 September 2018
Dr Caroline Brown	1 July 2019
Aedhmar Hynes	1 August 2019
Anita Kidgell	18 January 2023

3 Effective as Chair from November 2018.

ANNUAL REMUNERATION STATEMENT.

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	• 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 advisors, shareholders, proxy advisers and other stakeholders to optimise the proposed approach.
Simplicity	• Our ongoing remuneration arrangements for Executive Directors, including the AIS, are simple in nature and well understood by participants and shareholders and other stakeholders, including our employees. • Our Restricted Share Plan is a simple and effective long-term incentive structure, and directly aligns the interests of long-term shareholders with the management team. • Incentive arrangements are cascaded down through the Group and 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 RSP is extended to senior managerial levels and roles which are expected to have a material financial impact on the Group's outcomes. • The Committee continuously reviews and challenges the Group's wider remuneration arrangements and will continue to do so in order to ensure that this principle continues to be appropriately met.
Risk	• Under each of the AIS, LTIP and RSP, discretion may be applied where formulaic outturns are not considered reflective of overall business or individual performance or for any other reason considered appropriate by the Committee. • Deferral of a proportion of AIS awards, the LTIP and RSP holding periods and our higher than usual minimum shareholding requirement (including a two-year post-cessation shareholding requirement) provide a strong 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	• 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	• 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 and shareholder experience. • 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	• 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 RSP (and previously the LTIP).

ANNUAL REMUNERATION STATEMENT.

External advisors

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 2022 were £60,335.

Statement of shareholder voting

The table below sets out the proxy results of the votes on resolutions in respect of Directors' remuneration at the 2022 AGM.

	Votes for		Votes against			
	Number	% of votes cast	Number	% of votes cast	Total votes cast	Votes withheld
Remuneration Policy (2022 AGM)	654,265,665	80.67%	156,765,453	19.33%	820,514,461	9,483,343
2022 Remuneration Report (2022 AGM)	763,846,946	93.10%	56,606,501	6.90%	820,514,461	61,014
Approve the rules of the IP Group plc Share Plan (2022 AGM)	649,730,269	79.19%	170,742,022	20.81%	820,514,461	42,170

The Remuneration Committee was pleased to note that the significant majority of shareholders voted in favour of the remuneration-related resolutions at the 2022 AGM. However, in recognition of the votes against the Remuneration Policy and IP Group plc Share Plan rules the Committee re-engaged with shareholders to solicit any further feedback. As the Committee had already completed an extensive consultation, this additional consultation process did not result in any substantive additional feedback from shareholders. However, in determining the 2022 RSP grant level following approval of the rules at the 2022 AGM, the Committee carefully considered both feedback from shareholders and the changes in the macro-economic environment through the first part of the year. The decision to scale back the RSP award levels was, in part, in recognition and response to the shareholder voting out-turn.

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.

On behalf of the Board

Heejae Chae
Chair of the Remuneration Committee
7 March 2023

AUDIT AND RISK COMMITTEE REPORT.

Committee membership

The Audit and Risk Committee currently comprises the following independent Non-executive Directors whose backgrounds and experience are summarised on pages 109 to 112:

- Dr Caroline Brown (Chair)
- Aedhmar Hynes
- Dr Elaine Sullivan
- Heejae Chae
- Anita Kidgell

Report contents

- Principal responsibilities
- Key activities in the year
- Q&A with Chair
- Procedural and governance matters
- Key accounting judgements and other priority items reviewed by the Committee

Principal responsibilities

- Monitor the integrity of the financial statements of the Group including its annual and half-yearly reports, and other formal announcements relating to its financial performance with consideration being given to any significant financial reporting judgements contained within them
- Review and report to the Board on significant financial reporting issues and judgements contained in the financial statements
- Advise the Board on whether it believes the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's performance, business model and strategy
- Review and monitor the Group's risk management system and carry out a review of its effectiveness and approve the statements included in the Annual Report concerning risk management
- Ensure that a robust assessment of the principal risks facing the Group has been undertaken
- Assessing the Group's on-going viability
- Recommend the appointment and remuneration of the external auditor, assess audit effectiveness and monitor provision of non-audit services
- Assess the content of the external auditor's independence report in providing both audit and non-audit services
- Review the remit, planned scope of activities, performance and effectiveness of the outsourced internal audit function
- Monitor the Group's systems and controls for the prevention of bribery and fraud
- Review the adequacy and security of the Group's arrangements for its employees to speak up and raise concerns

Key activities in the year

The key areas of focus for the Committee in 2022 and early 2023 included:

- Key areas of accounting judgement and disclosure items were considered in detail, including: (i) valuation of unquoted investments at half-year and year-end reporting; and (ii) IFRS10 treatment of the US platform and Istesso Limited
- Considerations around additional debt funding secured by the Group in the year and the appropriate accounting treatment and disclosures relating to the debt funding
- Reviewing the Government's response to its consultation on audit and corporate governance reform
- Reviewing a draft Audit & Assurance policy for internal use
- 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 monitored procedures for the prevention of bribery and fraud. It reviewed new and updated policies, including the operation of the speaking-up policy, and exceptions to regular key risk indicator ("KRI") monitoring

AUDIT AND RISK COMMITTEE REPORT.

Q&A WITH CHAIR

What was the Committee's approach in gaining comfort over the valuation increase recorded on First Light Fusion Limited's achievement of fusion?

Through the latter part of 2021, the Committee were monitoring progress at First Light Fusion, as updates from our representative on the company's board, Robert Trezona, indicated an increasing level of confidence around achievement of a world-first fusion result in the near term. It was clear that the fusion event would represent a key milestone and significant valuation inflection point for the company, and that despite a funding round having been completed in January 2022, an immediate valuation reassessment would be required on confirmation of a fusion achievement. We therefore requested third-party valuation advisors Kroll carry out a valuation engagement on the company ahead of the potential fusion result. Critical input into this work was provided by Robert Trezona, whose unique insight was invaluable. We also carried out a Board site visit to the company in Oxford, with our external auditor in attendance, to receive a detailed update on the company's plans from its CEO Nick Hawker. Following extensive discussion at the Valuation Committee and Audit and Risk Committee, an appropriate point on valuation range provided by Kroll was selected. Given the wide valuation range inherent in valuing this world-first achievement, the Committee also concluded it was appropriate to disclose the valuation range provided by Kroll.

How does the decision to complete the debt placement in the year impact the Group's risk profile?

The Board has considered that a key risk to the business is the Group's access to capital to support its ambitious investment plans to back its portfolio companies over the long term. Increasingly the Group's business model has moved to be self-sustaining with realisations contributing significantly to ongoing capital needs and, therefore, the ability to invest in the portfolio.

Given the macroeconomic environment volatility in the year with downward pressure being seen in public market valuations of growth companies, the likelihood of achieving the Group's desired realisations decreased. In this context, the additional debt provides increased flexibility to support portfolio companies and make new investments and ultimately reduces the risk that the Group cannot fund its capital investment plans. The Committee reviewed the details of the debt placement, its commercial terms and covenants and concluded that the total debt remained within the Board's risk appetite, that the covenants were acceptable and not overly restrictive and that the debt placement represented value for money.

How do the proposed UK governance reforms outlined in BEIS' Response Statement to its March 2021 consultation affect the Group and how is the Group preparing?

One of the most significant changes for the Group flagged in the government's reforms will be the implementation of a new internal controls regime, which will require increased formalisation of existing processes. We await the FRC's consultation and conclusion on the exact requirements of the new framework but in the meantime have undertaken a programme of activities that will enable a smooth transition to the new regime. For example, at the Committee's request, management have undertaken a maturity assessment of the Group's internal controls framework and a scoping exercise alongside our risk assurance advisors and outsourced internal auditors. The Committee has reviewed a draft Audit & Assurance Policy for the Group and considered the merits of formalising and reporting on this policy in the future as a best practice measure. The Group does not meet the tests for mandatory corporate reporting changes and the Committee will continue to review its approach as both practice and guidance develops.

We continue to review announcements from the Government and the FRC and will continue to respond to any relevant consultations which impact the Group.

AUDIT AND RISK COMMITTEE REPORT.

Procedural and governance matters

- The Group's Chief Financial & Operating Officer, Company Secretary, Finance Director, outsourced Head of Internal Audit and the external auditor are invited to attend each Committee meeting, at which they present reports and provide analysis on key areas of significance to the Committee in relation to audit and risk matters
- At the request of the Committee, the Group's Chair and CEO also attended each Committee meeting
- 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 are invited to attend for specific subjects where required
- In preparation for each Committee meeting, I meet privately with management, the external auditor and the outsourced Head of Internal Audit
- At the end of the annual audit process the Committee meets with the external auditor without any members of the executive management team being present
- As part of the annual evaluation of risk management and internal controls the Committee as a whole also met with the Head of the outsourced Internal Audit function without management being present
- I continued to attend meetings of the Group's Valuation Committee as a member, which provides both an element of independence to the Committee and provides me with a detailed understanding of the conclusions reached on the portfolio company valuations. The Valuation Committee met three times in 2022 and once in early 2023 to review HY22 and FY22 reporting
- The Committee met six times in 2022
- Following her appointment as non-executive director on 18 January 2023 the Committee welcomed Anita Kidgell as a member

In relation to governance considerations:

- The Committee comprises four independent Non-executive Directors. 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, having held senior executive financial positions and current audit and risk committee experience
- The Board is satisfied that for the year under review, and thereafter, the Group's Audit and Risk Committee, as a whole, has competence relevant to the sector in which the Group operates
- The Committee assessed its performance in 2022 through externally facilitated interviews with Committee members, members of management and the external auditor and the observation of a Committee meeting by a third-party specialist evaluation firm
- The Committee undertook an evaluation of the external auditor's performance in 2021, which included input from the Finance Director, CFOO and wider finance team. Through this process minor areas for improvement were identified and agreed with the auditor who was deemed to have met the Committee's expectation in the year.
- The Committee undertook an assessment of the outsourced internal audit function in 2022, which included input from the individual members of the Group's Risk Council, Non-executive Directors and all those members of management who had interacted with the Internal Auditor in the year. The assessment considered the internal audit function's understanding of the Group's business risks, their subject matter expertise, professionalism and effectiveness in improving the Group's operations via recommendations that are appropriate for the size, nature and scale of the business. The Committee concluded that the internal auditor performance had met expectations and that the outsourced internal audit model remained appropriate for the Group

Read about **Board and Committee attendance** on page 123

Read our **Director biographies** on pages 109 to 112

AUDIT AND RISK COMMITTEE REPORT.

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

Key accounting judgements

Valuation of unquoted equity and debt investments:

The valuation of unquoted investments remains the most material area of judgement in the financial statements and is a 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 and auditing, respectively, the key estimates and judgments in respect of portfolio valuations. Significant time at Committee meetings is assigned to discuss portfolio valuations, which has allowed the Committee to debate and challenge the approach taken. The Group continued to apply its valuation policy consistently across investments at the year end which included consideration of the macro-environment and relevant industry metrics where available.

As in previous years, the Committee has paid significant attention to the valuation of the Group's holdings in unquoted investments, which have not completed a funding round within the last twelve 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 Group saw the majority of its portfolio transactions in the year take place at flat or increased valuations. However, in response to increased valuation uncertainty resulting from challenging capital market conditions in 2022, we chose to make more extensive use of third-party valuations specialists, with external valuation reports being commissioned on ten of our larger investments (2021: five). This increases the independence of our process and incorporates how other market participants are approaching valuations for year-end reporting.

The key value drivers within the Group's portfolio in the year included a decrease in value of the Group's listed portfolio (£428.5m), valuation increases for First Light Fusion Limited (£57.3m) following the company's achievement of nuclear fusion and Oxbotica Limited (£45.4m) following the completion of a private fundraise, together with valuation decreases for Import.IO (£10.4m) and SaltPay (£8.1m). These factors mean the unquoted portfolio now makes up a larger proportion of the portfolio as a whole and has, therefore, increased the overall subjectiveness of the FY 2022 valuations.

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. The Valuation Committee is chaired by the CFOO, its members are the Group CEO and myself. Also in attendance were the Managing Partners of the Technology and Life Sciences investment partnerships, Finance Director and external auditor. During the year, the Committee considered the Valuation Committee's terms of reference and composition and discussed whether an external valuation expert would provide meaningful additional scrutiny and challenge to the valuation process. The Committee concluded that it was satisfied with the current level of scrutiny and challenge at the Valuation Committee, by the ARC and the external auditors. The Committee agreed to review the composition of the Valuation Committee in a year's time.

The Valuation Committee met three times in 2022 and once in early 2023 to review management's valuations for the half-year and full-year results reporting. The 2023 Valuation Committee meeting included a review of valuation disclosures including the IFRS 13 requirements around the disclosure of quantitative valuation inputs and sensitivity disclosures. The Committee agreed that, given greater emphasis placed on revenue multiples for certain companies during 2022, disclosure of inputs and sensitivities for this valuation method was now appropriate. For other valuation methods, the Valuation Committee concluded that quantitative unobservable inputs were below a size threshold which would warrant disclosure under IFRS 13, paragraph 93(d). Additionally, 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. See further details in note 13 on page 213.

Read about **our portfolio** on **pages 23 to 37**

Read about our **detailed disclosures of valuation inputs and sensitivities in note 13** on pages 213 to 220

AUDIT AND RISK COMMITTEE REPORT.

The Valuation Committee

Members

Chief Financial and Operating Officer **David Baynes** (Chair)	Chief Executive Officer **Greg Smith**	Non-executive Director and ARC Chair **Dr Caroline Brown**

Attendees

Managing Director Tech Investment Partnership **Mark Reilly**	Managing Director Life Sciences Investment Partnership **Sam Williams**
Finance Director **Chris Glasson**	External Audit Partner **Jonathan Martin**

Valuation Committee recommends reporting date valuations to the Audit and Risk Committee

Valuation Committee review and challenge of the recommendations, request further reviews or third-party support be utilised

Valuation assessments and recommendations shared with Committee, including relevant supporting evidence

Group finance team prepare valuations with input from:

Investment Directors	External valuation specialists	Market data sources

Application of the consolidation requirements of IFRS 10 in respect of IPG Cayman LP and Istesso Limited:

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 the Group's US operating subsidiary which employs the US management team. In November 2021, the Group disposed of its equity in IPG Cayman LP's fund manager, IP Group Inc, and was deemed to no longer control the fund manager of the fund and was therefore deconsolidated from the Group's accounts from that date. While this remains an area of significant judgement, there have been no changes in 2022 which would lead us to revise the Group's conclusion on this matter.

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. In 2022 the Group made a further £10m convertible loan which does not have any substantive rights in relation to control. The Committee reviewed and discussed management's detailed assessment and conclusion that the Group does not control Istesso Limited under IFRS 10 at its meetings in July 2022 and February 2023.

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 2022 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

Read about the **application of IFRS 10 in relation to IPG Cayman LP in note 2 (ii)** on page 197

Read about our **application of IFRS 10 in relation to Istesso Limited in note 2 (ii)** on page 197

AUDIT AND RISK COMMITTEE REPORT.

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, deferred tax liability and going concern disclosures and reviewed a summary of controls reliance obtained in the year and related internal control disclosures made within the Corporate Governance Report and the use of Alternative Performance Measures ("APMs").

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.

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 discussed the potential extension of the period to five years in future reporting periods and agreed that a three-year time horizon remained appropriate.

Management's assessment included severe and intermediate stress-test scenarios where adverse impacts across the Group's principal risks relating to insufficient capital, insufficient investment returns and macroeconomic conditions were considered as part of the review. Under the severe scenario, a 70% reduction in realisations and a 40% 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 and ensured continued compliance with debt covenants. 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 pages 85 to 88. The principal risks the Group faces are set out on pages 89 to 97. During the year, the Committee devoted part of each meeting to items concerning risk and its management.

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

During 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 and took part in a Board risk workshop to conduct the Group's robust assessment of its principal risks, risk appetite and desired control investment. 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 and paid special attention to economic uncertainty, access to talent and diversity 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 and an overall improvement on prior year results was noted, specifically the results showed that cyber controls now meet the Board's desired level of control investment having been identified as requiring improvement in 2021. However, control deficiencies were identified and recommendations for improvement were agreed with

Read the **controls statements in the Corporate Governance Statement** on pages 126 to 127

Read about our **APMs in note 29** on pages 245 to 247

Read about the **Group's emerging risks** on page 88

AUDIT AND RISK COMMITTEE REPORT.

management. Implementation of the remedial actions was reviewed by the Risk Council and reported to the Committee and all actions were completed at the time of reporting.

The Committee was pleased to review reports from the Risk Council outlining actions being taken by management to maintain and enhance the control environment in the year noting in particular updated key risk indicator metrics post implementation of the Group's updated strategy in the year, the implementation of a cyber compliance monitoring programme, more regular engagement with control owners across the business and a full refresh of the Group's Risk and Controls Matrix ('RACM') resulting in a 20% increase in the number of key controls tested.

The Committee received regular updates from management on the progress of UK audit and governance reforms and specifically reviewed BEIS's Response Statement following its consultation on reforms aimed at restoring trust in audit and corporate governance and a timetable from management on the key areas of significance to the Group arising from the Response Statement. Additionally, while the Group will not be required to publish the Audit & Assurance Policy ('AAP') expected to be made mandatory via legislation for certain public interest entities as part of a suite of corporate reporting reforms, the Committee reviewed a draft illustrative AAP prepared by management, which will be updated when final guidance on its contents is available to allow the Committee to consider whether to formally adopt such a policy and make it available publicly.

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 Board continues to consider cyber threats as a principal risk to the business with an overall "high" risk rating. During the year the Committee has been provided with regular updates on management actions to complete the implementation of internal audit recommendations following the cyber maturity assessment in 2020 and to improve IT security. The Committee reviewed the Group's training for and implementation of cyber incident response plans adopted in late 2021 these included feedback from three simulations undertaken by management during the year, including two that were externally facilitated. The Group continued to deploy additional, 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 in relation to this risk.

Compliance

Ensuring compliance for regulated businesses remains a priority from the perspective of the Committee and regular update 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 recommended the approval of a new internal Conflicts of Interest policy, which formalises the conflict management work already being undertaken at Group-level on investment and divestment committee decision making and also reviewed existing Group policies on anti-bribery and corruption, speaking-up, related party transactions and modern slavery. The Committee reviewed the summary findings of procedures in place which review the nature of gifts and hospitality received and provided in the year to identify any instances of corruption and bribery and management carried out an enhanced fraud risk assessment and determined that there was a low risk of fraud occurring undetected. We recognise this as an area of importance and will seek to increase the level of testing performed in relation to fraud in the future.

Read about our **response to increasing cyber threats** on **page 96**

AUDIT AND RISK COMMITTEE REPORT.

Internal audit

2022 was the fourth 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 focused on (i) business continuity via a cyber-attack simulation; (ii) key financial controls focusing on the financial close and reporting process; and (iii) a follow-up review which reviewed all high and medium risk actions identified in the ten reviews completed since 2019 to provide comfort that the completed remediations remained in place.

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, management's implementation of recommendations and closure of the audits, access to experts, the annual strategy document and 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 Committee discussed the auditor's plan for the 2022 year-end audit at its November and December meetings. This included a summary of the proposed audit scope and the auditor's assessment of 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, those unquoted investments with a funding round from over twelve 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 and management override of control. Other areas of audit focus are the valuation of unquoted investments with a funding round within twelve months, recoverability of investments in subsidiaries, valuation of quoted investments, valuation of limited and limited liability partnership interests, borrowings and application of IFRS 10. The auditor recognised the increased likelihood of significant risks emerging throughout the audit cycle due to the current geopolitical uncertainty and while no additional risks were identified the team reviewed whether any changes to the audit plan were required throughout the engagement. As in previous years a number of the Group's small trading subsidiaries will be audited by Moore Northern Home Counties Limited, which has worked well in previous years and facilitates an accelerated audit timetable for these subsidiary audits.

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. Jonathan Martin became lead audit partner responsible for the Group's statutory audit for the 2019 year end onwards and the Committee has benefited from Jonathan Martin's extensive valuation expertise and continues to believe he is a suitable audit partner for the Group.

AUDIT AND RISK COMMITTEE REPORT.

The 2022 audit was the ninth year of KPMG audit. The Committee last undertook a comprehensive tender process in 2014 for the audit in relation to the year ended 31 December 2014 and is now planning a re-tender process, which is expected to conclude in 2023.

Non-audit work

The Group has a policy for setting out what non-audit services can be procured by the Group from the external auditor. The policy aims to support and safeguard the objectivity and independence of the external auditor and incorporates the requirements of the FRC's revised Ethical Standards for auditors. As such, any proposed engagements not closely related to KPMG's role as the Group's external auditor will not be approved. The policy details the nature of the services that the external auditor may not undertake and specifies the non-audit services, unless pre-approved, are subject to prior approval from either the CFOO, the Committee Chair or the Committee depending on the level of fees for the proposed engagement. 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 205. In 2022, the only non-audit service provided by KPMG in the year was the review of the Group's half-yearly results.

The Committee prefers to engage other firms to perform consulting engagements to ensure that the independence of the auditor is not compromised and during 2022 engaged the services of PwC (internal audit, risk and governance), Deloitte (valuations) and Kroll (valuations).

Auditor independence

KPMG have reviewed its own independence in line with the FRC's Ethical Standards for auditors and its own ethical guideline standards. KPMG has confirmed to the Committee that following its review it is satisfied that it has acted in accordance with relevant regulatory and professional requirements. KPMG has provided the Committee with details of the safeguards in place which include a culture of regular training, internal accountability and independent reviews performed by an engagement quality control reviewer, who is a partner not otherwise involved in the Group's audit, and an annual attestation from all KPMG partners and staff to confirm their compliance with internal ethics and independence policies and procedures including in particular that the audit team have no prohibited shareholdings which include IP Group plc and portfolio company shares. Having considered the aforementioned safeguards, the level of non-audit services provided in the year and a formal statement of independence 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 management to produce a memo summarising the outcome of the 2021 audit process, and highlighting potential areas for future improvement, which were agreed between management and the auditor, and discussed by the Committee. 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. I was able to see first-hand how the auditor challenged management on their assumptions used when determining the valuation of certain unquoted portfolio company valuations at each Valuation Committee meeting. KPMG utilised specialist corporate finance staff to support its audit work on Istesso Limited 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

7 March 2023

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 2022.

Corporate Governance Statement

Information that fulfils the requirements of the Corporate Governance Statement can be found in the Corporate Governance Statement on pages 114 to 128 and is incorporated into this Directors' Report by reference.

Results and dividends

During the period, the Group made an overall loss after taxation for the year ended 31 December 2022 of £344.5 million (2021: £449.3m profit). The Board recommends a final dividend for the year ended 31 December 2022 of 0.76p per share (2021: 0.72p) to be taken to the 2023 Annual General Meeting. No scrip dividend alternative will be offered in respect of this dividend.

Directors

The names of Directors who currently hold office or did so during 2022 are as follows:

Executive Directors

Greg Smith
David Baynes

Non-executive Directors

Sir Douglas Flint (Chairman)
Dr Caroline Brown
Heejae Chae
Aedhmar Hynes
Anita Kidgell
Dr Elaine Sullivan

Details of the interests of the Directors in the share capital of the Company are set out in the Directors' Remuneration Report on page 155.

Principal risks and uncertainties and financial instruments

The Group is exposed to a number of risks through its operations, where risk mitigation is most notably focused on ensuring continued capabilities to support portfolio companies. The Group's risk management objectives and policies are described on pages 85 to 86 and in the Corporate Governance Report on pages 126 to 127. 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 3 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 16 to 17 of the Strategic Report.

Branches of the Group outside of the UK

The Group has branches in Australia and Hong Kong.

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, the Group entered into a Note Purchase Agreement in relation to the private placement debt (as described on page 42) on 2 August 2022. This agreement contains certain provisions which must be complied with around change of control to prevent default.

DIRECTORS' REPORT.

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 ("AGM") of the Company held on 14 June 2022 (the "2022 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 2022 at any time up to the earlier of the conclusion of the next AGM of the Company and 14 September 2023. In addition, at the 2022 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 2022 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 15 June 2023 ("2023 AGM"). The authorities being sought are in accordance with guidance issued by the Investment Association.

A further special resolution passed at the 2022 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 2022; and (ii) up to a further maximum of approximately 5% of the aggregate nominal value of the shares in issue on 06 May 2022 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 14 September 2023. The Directors will seek to renew these authorities for a similar period at the 2023 AGM, although they intend to increase the limits of such authorities to 10% respectively in accordance with the revised Statement of Principles which were published by the Pre-Emption Group in November 2022.

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 AGM 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. This authority was extended 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 2022 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 2022 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 14 September 2023. This authority has been utilised during the year in connection with the Group's share buyback programme. The Directors will seek to renew this authority within similar parameters and for a similar period at the 2023 AGM.

DIRECTORS' REPORT.

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 2022, 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	%
RPMI Railpen	15.69
Baillie Gifford	5.05
BlackRock	5.05
Liontrust	4.97
Vanguard Group	4.31
Schroder Investment Management	3.81
Legal & General Investment Management	3.04

As at 28 February 2023, 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	%
RPMI Railpen	15.70
BlackRock	5.08
Liontrust	4.84
Baillie Gifford	4.48
Vanguard Group	4.43
Schroder Investment Management	3.82
Legal & General Investment Management	3.09

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 meaningful impact section on pages 46 to 71, in the Corporate Governance Statement on pages 114 to 128 and in the s172(1) Statement on pages 99 to 108.

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 03) and in note 30 to the Group's financial statements.

DIRECTORS' REPORT.

Political expenditure

It is the Board's policy not to incur political expenditure or otherwise make cash contributions to political parties and there is no intention of changing that policy. However, 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 2022 AGM and as at previous AGMs, the shareholders supported 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 2022 AGM up to the conclusion of the 2023 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 2023 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 2022.

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
- 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 twelve 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 in the Strategic Report on page 98.

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 2023 AGM.

On behalf of the Board

Angela Leach
Company Secretary
7 March 2023

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. Under that law they are required to prepare the Group financial statements in accordance with UK-adopted international accounting standards and applicable law and have elected to prepare the parent Company financial statements in accordance with UK accounting standards and applicable law, including FRS 101 Reduced Disclosure Framework.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of the Group's 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, relevant, reliable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with UK-adopted international accounting standards;
- 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
- use 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.

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 Companies Act 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, 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 company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

In accordance with Disclosure Guidance and Transparency Rule 4.1.14R, the financial statements will form part of the annual financial report prepared using the single electronic reporting format under the TD ESEF Regulation. The auditor's report on these financial statements provides no assurance over the ESEF format.

STATEMENT OF DIRECTORS' RESPONSIBILITIES.

IN RESPECT OF THE ANNUAL REPORT AND THE FINANCIAL STATEMENTS

Responsibility statement of the Directors in respect of the annual financial report

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 consolidation taken as a whole; and
- the strategic report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation 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.
Neither the Company nor the Directors accepts any liability to any person in relation to the Annual Report except to the extent that such liability could arise under English law. Accordingly, any liability to a person who has demonstrated reliance on any untrue or misleading statement or omission shall be determined in accordance with section 90A and schedule 10A of the Financial Services and Markets Act 2000.

On behalf of the Board

Sir Douglas Flint
Chairman
7 March 2023

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 Group") for the year ended 31 December 2022 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 2022 and of the Group's loss 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 and Risk Committee.

We were first appointed as auditor by the shareholders on 13 May 2014. The period of total uninterrupted engagement is for the nine financial years ended 31 December 2022. 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: group financial statements as a whole	£12.5m (2021: £15.5m) 0.8% (2021: 0.8%) of total assets	
Coverage	99% (2021: 100%) of total assets	
Key audit matters		**vs 2021**
Recurring risks	Valuation of certain unquoted equity and debt investments (Group)	↑
	Recoverability of investments in and loans to subsidiary undertakings (Parent Company)	↔
Event driven	**New**: Application of IFRS 10 in respect of Istesso Limited (Group)	↑

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, 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 Group'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.

INDEPENDENT AUDITOR'S REPORT.

TO THE MEMBERS OF IP GROUP PLC

	The risk	Our response
Valuation of certain unquoted equity and debt investments **£817.9 million** 2021: £648.6 million Refer to **page 163** for **Audit and Risk Committee Report** and **page 189** for **accounting policy and financial disclosures**	**Subjective Valuation** Included within this key audit matter are unquoted investments that have a high degree of estimation uncertainty, and other high-value unquoted investments. The degree of risk has increased slightly due to macro-economic conditions. In the prior year all unquoted investments were included within our key audit matter. In the current year the risk excludes investments not in the "Top 20" holdings that are valued based on a funding round less than twelve months before the balance sheet date. We continue to perform work on those assets, but have not included these in the key audit matter in the current year as these investments are not considered to have a high degree of estimation uncertainty or otherwise have a significant impact on the performance of the audit due to the recency of the latest funding round. Unquoted investments that have a high degree of estimation uncertainty are those valued through a recent funding that occurred more than twelve months before the balance sheet date, or through 'other' valuation methods. Where recent funding rounds are used, whether it remains appropriate to use the price of that recent funding round depends on the specific circumstances of the investment, including whether the funding round included new external investors, the length of time since the funding round and the developments in the investment in the period since the funding round when compared to the wider market, competitors and expected performance in the period. There are a number of assumptions made by the directors when using alternative valuation	For a sample of investments, selected using a combination of specific item and statistical sampling, the procedures we performed included the following. **Investments valued using a recent funding round:** *Our sector experience*: • We evaluated the independence of the funding round on which this valuation is based (e.g. presence of new external investors). • We challenged the directors and the investment team on the key judgements affecting investment valuations, such as events since the last funding round and probability of achieving milestone events. • We inspected 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 since the last funding round. • We inquired with the directors as to whether any events have occurred after the balance sheet date which would have a material impact on the investment valuations. • We applied heightened scrutiny to investments where further funding is required within the first six months of the next financial year and assessed their progress against the milestones included in the most recent funding round. **Investments valued using an "other" valuation method:** *Tests of detail*: • We agreed key inputs back to independent support, such as signed license agreements, signed legal documentation and management information. *Our sector experience*: • We challenged the assumptions included in the valuation based on market data where possible, such as historic incidence of the development of similar investments in the portfolio and the plans of investee companies. • We assessed the impact of funding rounds in the post balance sheet period.

INDEPENDENT AUDITOR'S REPORT.
TO THE MEMBERS OF IP GROUP PLC

	The risk	Our response
	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 arms-length fair value transaction. The effect of these matters is that, as part of our risk assessment, we determined that the valuation of certain unquoted investments have 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. Other high-value unquoted investments are investments within the "Top 20" holdings that are valued based on funding rounds that occurred within twelve months of the balance sheet date. These valuations are included within the risk due to the prominence given to them within the directors' disclosures. These are determined to have a lower degree of estimation uncertainty as it is less likely there have been events within the market that significantly increase or decrease the value concluded upon since their respective recent funding rounds.	*Independent reperformance and sensitivity analysis*: • We re-performed the calculation of fair value and assessed the effect of changing one or more inputs to identify reasonably possible alternative valuation assumptions. *Assessing valuer credentials*: • We assessed the expertise and experience of the Group's third party valuation experts used in the corroboration of directors' valuation and challenged 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. 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. **Our findings**: We found the resulting valuations in relation to the unquoted financial investments to be mildly cautious (2021 finding: mildly cautious).

INDEPENDENT AUDITOR'S REPORT.
TO THE MEMBERS OF IP GROUP PLC

	The risk	Our response
Application of IFRS 10 in respect of Istesso Limited Refer to page 163 for **Audit and Risk Committee Report** and page 189 for **accounting policy and financial disclosures**	**Significant accounting judgement** In determining whether an entity is classified as a subsidiary and is therefore required to be consolidated under the principles of IFRS 10, the directors assess whether the Group has control over the entity. In respect of Istesso Limited, the directors have concluded that the Group does not control this entity. This is because, although the Group has 56.4% of the undiluted economic interest in the entity, it only holds 45.3% of the voting rights at the company and does not control the Board. However there is significant judgement involved in the application of IFRS 10 in respect of Istesso Limited. Given that the Group holds close to 50% of the voting rights at the company, it must be determined whether the Group has de facto control under the principles of IFRS 10. Moreover, a further 15.8% of the voting rights are held by the Group's representative on the Istesso Board, so it must be determined whether this holding is independent of the Group's holding. During the year, the Group has provided a £10m convertible loan to Istesso Limited. Given this change in circumstances, the application of IFRS 10 in respect of this entity has been an area of increased focus in the current year audit.	Our procedures included: **Accounting analysis:** • We inspected the articles of association for Istesso Limited to understand the voting rights of the entity. • We evaluated the independence of the other shareholders of Istesso Limited from the Group through inspecting evidence of their identities and relationships with the Group. • We inspected the terms of the new convertible loan to determine whether it provides the Group with any substantive rights. • We challenged whether the Group has de facto control with reference to the size of the Group's holding of voting rights relative to the size and dispersion of the holdings of other vote holders and historic voting patterns of vote holders. **Assessing transparency:** • We considered the appropriateness of the disclosures related to the application of IFRS 10 in respect of Istesso Limited. We performed the tests above rather than seeking to rely on any of the Group's controls because the nature of the judgement is such that we would expect to obtain audit evidence primarily through the detailed procedures described. **Our findings**: In determining the application of IFRS 10 in respect of Istesso Limited there is room for judgement and we found that within that, the group's judgement gave slightly more weight to arguments favouring the conclusion that Istesso Limited is not required to be consolidated (2021 finding: the group's judgement gave slightly more weight to arguments favouring the conclusion that Istesso Limited is not required to be consolidated).

INDEPENDENT AUDITOR'S REPORT.
TO THE MEMBERS OF IP GROUP PLC

	The risk	Our response
Recoverability of investment in and loans to subsidiary undertakings (Parent Company) **£928.2 million** 2021: £899.8 million Refer to **page 189** for **accounting policy and financial disclosures**	**Low risk, High value** The carrying amount of the Parent Company's investments in subsidiaries and loans to subsidiaries represents 99% (2021: 99%) of the Parent 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.	**Our procedures included:** Test of detail: • We compared the carrying amount of 100% of investments in and loans to subsidiaries with the relevant subsidiary's draft balance sheet to identify whether their net assets, being an approximation of their minimum recoverable amount, were in excess of their carrying amount and assessed whether those subsidiaries have historically been profit-making therefore supporting the recoverability of the debt owed. **Assessing transparency:** • We considered the appropriateness, in accordance with relevant accounting standards, of the disclosures related to the Parent Company's investment in subsidiaries. We performed the tests above rather than seeking to rely on any of the Parent 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. **Our findings**: We found the recoverability of the Parent Company's investment in and loans to subsidiary undertakings to be balanced (2021 finding: balanced).

INDEPENDENT AUDITOR'S REPORT.
TO THE MEMBERS OF IP GROUP PLC

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 £12.5m (2021: £15.5m), determined with reference to a benchmark of Group total assets, of which it represents 0.8% (2021: 0.8%).

Materiality for the Parent Company financial statements as a whole was set at £7.2m (2021: £7.2m), determined with reference to a benchmark of Parent Company total assets, of which it represents 0.8% (2021: 0.8%).

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% (2021: 75%) of materiality for the financial statements as a whole, which equates to £9.4m (2021: £11.6m) for the Group and £5.4m (2021: £5.4m) 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 £0.6m (2021: £0.8m), 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.

Total Assets

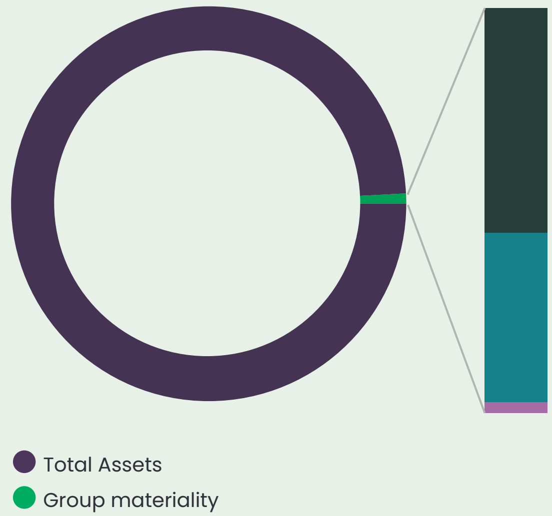
£1,557.8m

2021: £1,879.3m

Group materiality

£12.5m

2021: £15.5m



£12.5m
Whole financial statements materiality
2021: £15.5m

£9.4m
Whole financial statements performance materiality
2021: £11.6m

£0.6m
Misstatements reported to the Audit and Risk Committee
2021: £0.8m

INDEPENDENT AUDITOR'S REPORT.
TO THE MEMBERS OF IP GROUP PLC

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 investee 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 on page 179.

Given the nature of the current investment portfolio, the valuation methods and investing 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 Parent Company or to cease their operations, and as they have concluded that the Group's and the Parent 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 Parent 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 Parent 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 from 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 Parent 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 Parent 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 176 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 Parent Company will continue in operation.

INDEPENDENT AUDITOR'S REPORT.
TO THE MEMBERS OF IP GROUP PLC

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 the directors as to the Group's high-level 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;
- assessing the segregation of duties in place between the investment management team, the finance function and the directors;
- holding discussions with fraud specialists to challenge our risk assessment conclusions on fraud risks.

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 and the risk of bias in accounting estimates and judgements such as valuation of certain unquoted equity and debt investments and application of IFRS 10.

We performed procedures including identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by senior finance management, those posted to unusual accounts and those where the description for the entry included the word "fraud".

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.

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 the directors the policies and procedures regarding compliance with laws and regulations.

As certain entities within the Group are regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

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.

INDEPENDENT AUDITOR'S REPORT.
TO THE MEMBERS OF IP GROUP PLC

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 98 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 disclosures on page 85 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 98 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 Parent Company's longer-term viability.

INDEPENDENT AUDITOR'S REPORT.
TO THE MEMBERS OF IP GROUP PLC

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. We have nothing to report in this respect.

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.

INDEPENDENT AUDITOR'S REPORT.
TO THE MEMBERS OF IP GROUP PLC

9. Respective responsibilities

Directors' responsibilities
As explained more fully in their statement set out on pages 176 to 177, 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.

The Group is required to include these financial statements in an annual financial report prepared using the single electronic reporting format specified in the TD ESEF Regulation. This auditor's report provides no assurance over whether the annual financial report has been prepared in accordance with that format.

10. The purpose of our audit work and to whom we owe our responsibilities
This report is made solely to the Group'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 Group. Our audit work has been undertaken so that we might state to the Group'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 Group and the Group'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

7 March 2023

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME.
FOR THE YEAR ENDED 31 DECEMBER 2022

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

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION.
AS AT 31 DECEMBER 2022

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

Registered number: 4204490

The accompanying notes form an integral part of the financial statements. The financial statements on pages 189 to 192 were approved by the Board of Directors and authorised for issue on 7 March 2023 and were signed on its behalf by:

Greg Smith
Chief Executive Officer

David Baynes
Chief Financial Officer

CONSOLIDATED STATEMENT OF CASH FLOWS.
FOR THE YEAR ENDED 31 DECEMBER 2022

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

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY.
FOR THE YEAR ENDED 31 DECEMBER 2022

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

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

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

3 Non-controlling interest – Share of profits attributable to the Limited Partners of IP Venture Fund II LP.

4 Deconsolidation of subsidiary – during the financial year 2021 IPG Cayman LP was deconsolidated, resulting in the disposal of NCI and the recycling of £0.9m currency translation reserve through the Income Statement. See note 22.

5 Issue of shares – Share premium in connection with the Interim Scrip Dividend, the Group has received valid elections from shareholders resulting in a requirement to issue new ordinary shares of 2p each ("New Shares").

6 Purchase of treasury shares – Reflects the issue of 7,429,494 ordinary shares, with an aggregate value of £8.0m, these were purchased by the Company during the year and are held in treasury. Total value including costs was £8.0m. (2021: 22,279,127 shares purchased for total value of £27.0m, total including costs of £27.2m). These shares were purchased for the £35m share buyback. This also includes movement in treasury shares related to DBSP and employee SAYE schemes.

7 Ordinary dividends – Of the £12.7m dividends paid in 2022, £12.3m was settled in cash and £0.4m was settled via the issue of equity under the Group's scrip programme (2021: £15.8m, £15.0m, £0.8m). 485,569 new shares were issued in respect of the scrip dividend (2021: 679,553 shares issued).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS.

1. Basis of preparation

A) Basis of preparation

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

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

Going concern

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

At the balance sheet date, the Group had cash and deposits of £241.5m, providing liquidity for at least two years' operating expenses, portfolio investment and debt repayments at recent levels. Furthermore, the Group has a portfolio of investments valued at over £1.26bn, which is anticipated to provide further liquidity over the forecast period. Accordingly, our forecasting indicates that the Group has adequate resources to enable it to meet its obligations including its debt covenants and to continue in operational existence for at least the next twelve months from the approval date of the accounts. For further details see the Group's viability statement on page 98.

Changes in accounting policies

(i) New standards, interpretations and amendments effective from 1 January 2022

No new standards, interpretations and amendments effective in the year have had a material effect on the Group's financial statements.

(ii) New standards, interpretations and amendments not yet effective

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

(B) Basis of consolidation

IFRS 10 Investment Entity Exemption

IFRS 10 defines an investment entity as one which:

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS.

1. Basis of preparation continued

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

(i) Subsidiaries

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

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

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

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

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

(ii) Associates/portfolio companies

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS.

1. Basis of preparation continued

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

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

a) Consolidated Limited Partnership fund holdings

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

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

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

b) Other non-consolidated Limited Partnership fund holdings

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

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

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

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

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

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

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

iv) Other third party funds under management

In addition to the Limited Partnership fund IPVFII, described above, the Group also manages other third-party funds, including within its Parkwalk business unit, described in further detail in the portfolio review section on page 37, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS.

1. Basis of preparation continued

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

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

c) Other accounting policies

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS.

2. Significant accounting estimates and judgements continued

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

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

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

Istesso Limited

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

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

IPG Cayman LP

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

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

- IPG Cayman LP raised additional third–party funds in the first half of 2021, which reduced the Group's stake in the fund from 80.7% to 58.1%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS.

2. Significant accounting estimates and judgements continued

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

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

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

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

3. Financial risk management

As set out in the principal risks and uncertainties section on pages 89 to 97, 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

Price risk

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS.

3. Financial risk management continued

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

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

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

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

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

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

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

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

The Group mitigates this risk, in co–ordination with liquidity risk, by managing its proportion of fixed to floating rate financial assets. The table on page 200 summarises the interest rate profile of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS.

3. Financial risk management continued

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

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

B) Liquidity risk

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS.

3. Financial risk management continued

C) Credit risk

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

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

1 The Group holds £54.6m (2021: £20.2m) with JP Morgan GBP liquidity fund, which has a AAAMMF credit rating with Fitch.

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS.

4. Revenue from services

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

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

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

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

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

5. Operating segments

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS.

5. Operating segments continued

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

These activities are described in further detail in the strategic report on pages 23 to 37.

Year ended 31 December 2022	Venture capital investing: Life Sciences £m	Of which Oxford Nanopore £m	Venture capital investing: Deeptech £m	Venture capital investing: Cleantech £m	Venture capital investing: Other £m	Third party fund management £m	Consolidated £m
STATEMENT OF COMPREHENSIVE INCOME							
Portfolio return and revenue							
Change in fair value of equity and debt investments	(399.4)	(369.7)	(21.0)	114.6	2.4	–	(303.4)
(Loss)/gain on disposal of equity and debt investments	(12.1)	–	4.0	–	0.3	–	(7.8)
Change in fair value of limited and limited liability partnership interests					2.1	–	2.1
Loss on disposal of subsidiary	–	–	–	–	–	–	–
Revenue from services and other income					1.1	6.0	7.1
	(411.5)	(369.7)	(17.0)	114.6	5.9	6.0	(302.0)
Administrative expenses[1]							
Carried interest plan charge[1]					(12.0)	–	(12.0)
Share-based payment charge[1]					(2.6)	(0.3)	(2.9)
Other administrative expenses[1]					(22.1)	(5.3)	(27.4)
					(36.7)	(5.6)	(42.3)
Operating loss					(334.7)	0.4	(344.3)
Finance income[1]					2.1	0.1	2.2
Finance costs[1]					(1.4)	–	(1.4)
Loss before taxation					(344.0)	0.5	(343.5)
Taxation[1]					(1.0)	–	(1.0)
Loss for the year					(344.0)	0.5	(344.5)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS.

5. Operating segments continued

Year ended 31 December 2022	Venture capital investing: Life Sciences £m	Of which Oxford Nanopore £m	Venture capital investing: Deeptech £m	Venture capital investing: Cleantech £m	Venture capital investing: Other £m	Third party fund management £m	Consolidated £m
STATEMENT OF FINANCIAL POSITION							
Assets	**613.8**	**205.5**	**230.5**	**243.8**	**451.9**	**17.8**	**1,557.8**
Liabilities[1]					**(176.0)**	**(5.7)**	**(181.7)**
Net Assets					**1,364.0**	**12.1**	**1,376.1**
Other segment items							
Purchase of debt & equity investments	**(38.9)**	**(3.2)**	**(20.4)**	**(22.3)**	**(7.3)**	**–**	**(88.9)**
Realisations	**15.6**	**–**	**8.7**	**3.5**	**0.3**	**–**	**28.1**

Year ended 31 December 2021	Venture capital investing: Life Sciences £m	Of which Oxford Nanopore £m	Venture capital investing: Deeptech £m	Venture capital investing: Cleantech £m	Venture capital investing: Other £m	Third party fund management £m	Consolidated £m
STATEMENT OF COMPREHENSIVE INCOME							
Portfolio return and revenue							
Change in fair value of equity and debt investments	319.9	284.8	47.0	30.4	18.6	–	415.9
Gain on disposal of equity investments	55.4	12.3	25.4	0.5	0.2	–	81.5
Change in fair value of limited and limited liability partnership interests					1.8	–	1.8
Loss on deconsolidation of subsidiary	–	–	–	–	(3.8)	–	(3.8)
Revenue from services and other income					5.7	7.9	13.6
	375.3	297.1	72.4	30.9	22.5	7.9	509.0
Administrative expenses[1]							
Carried interest plan charge[1]					(17.2)	–	(17.2)
Share-based payment charge[1]					(2.5)	(0.1)	(2.6)
Other administrative expenses[1]					(28.7)	(4.5)	(33.2)
					(48.4)	(4.6)	(53.0)
Operating profit					452.7	3.3	456.0
Finance income[1]					0.4	–	0.4
Finance costs[1]					(1.8)	–	(1.8)
Profit before taxation					451.3	3.3	454.6
Taxation[1]					(5.3)	–	(5.3)
Profit for the year					446.0	3.3	449.3

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS.

5. Operating segments continued

Year ended 31 December 2021	Venture capital investing: Life Sciences £m	Of which Oxford Nanopore £m	Venture capital investing: Deeptech £m	Venture capital investing: Cleantech £m	Venture capital investing: Other £m	Third party fund management £m	Consolidated £m
STATEMENT OF FINANCIAL POSITION							
Assets	1,005.1	572.0	250.3	100.9	505.8	17.2	1,879.3
Liabilities[1]					(137.4)	(3.8)	(141.2)
Net Assets					1,724.7	13.4	1,738.1
Other segment items							
Purchase of debt & equity investments	(52.2)	(18.7)	(6.7)	(11.9)	(32.9)	–	(103.7)
Realisations	167.7	84.1	41.7	2.8	1.2	–	213.4

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

6. Auditor's remuneration

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS.

7. Operating (loss)/profit

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

	2022 £000	2021 £000
Depreciation of right of use asset, property, plant and equipment	**(0.6)**	(1.6)
Employee costs (see note 9)	**(20.0)**	(22.5)
Loss on disposal or deconsolidation of subsidiary (see note 22)	**–**	(3.8)

8. Other administrative expenses

Other administrative expenses comprise:

	2022 £000	2021 £000
Employee costs (less share-based payment charge)	**17.1**	19.9
Professional services	**4.0**	5.5
Consolidated portfolio company costs	**0.1**	0.1
Depreciation of tangible assets	**0.6**	1.6
Other expenses	**5.6**	6.1
	27.4	33.2

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS.

9. Employee costs

Accounting Policy

Employee benefits

Pension obligations

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

Share–based payments

The Group engages in equity-settled share-based payment transactions in respect of services receivable from employees, by granting employees conditional awards of ordinary shares subject to certain vesting conditions. Conditional awards of shares are made pursuant to the Group's Long Term Incentive Plan ("LTIP") awards and/or the Group's Annual Incentive Scheme ("AIS"). The fair value of the shares is estimated at the date of grant, taking into account the terms and conditions of the award, including market-based performance conditions.

The fair value at the date of grant is recognised as an expense over the period that the employee provides services, generally the period between the start of the performance period and the vesting date of the shares. The corresponding credit is recognised in retained earnings within total equity. The fair value of services is calculated using the market value on the date of award and is adjusted for expected and actual levels of vesting. Where conditional awards of shares lapse, the expense recognised to date is credited to the statement of comprehensive income in the year in which they lapse. Where the terms for an equity-settled award are modified, and the modification increases the total fair value of the share-based payment or is otherwise beneficial to the employee at the date of modification, the incremental fair value is amortised over the vesting period.

See the Directors' Remuneration Report on pages 140 to 162 and note 22 for further details.

Employee costs (including Executive Directors) comprise:

	2022 £000	2021 £000
Salaries	**11.6**	12.6
Defined contribution pension cost	**1.0**	1.0
Share–based payment charge (see note 23)	**2.9**	2.6
Other bonuses accrued in the year	**3.0**	4.8
Social security	**1.5**	1.4
Total staff costs	**20.0**	22.4

The average monthly number of persons (including executive directors) employed by the Group during the year was 99, all of whom were involved in management and administration activities (2021: 104). Details of the directors' remuneration can be found in the Directors' Remuneration Report on pages 140 to 162.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS.

10. Taxation

Accounting Policy:

Deferred tax

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

	2022 £000	2021 £000
Current tax		
UK corporation tax on profits for the year	**–**	–
Foreign tax	**–**	0.1
	–	0.1
Deferred tax	**1.0**	5.2
Total tax	**1.0**	5.3

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS.

10. Taxation continued

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

	2022 £000	2021 £000
(Loss)/profit before tax	**(343.5)**	454.6
Tax at the UK corporation tax rate of 19% (2021: 19%)	**(65.3)**	86.4
Expenses not deductible for tax purposes	**2.3**	3.3
Income not taxable	**1.5**	(15.4)
Prior year adjustment on deferred tax	**0.4**	0.1
Non–taxable income on deconsolidation of subsidiaries	**–**	0.1
Fair value movement on investments qualifying for SSE	**58.4**	(79.0)
Movement on share–based payments	**0.4**	0.4
Movement in tax losses arising not recognised	**2.9**	8.0
Rate change on deferred tax	**0.4**	1.4
Total tax charge	**1.0**	5.3

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS.

11. Earnings per share

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS.

12. Categorisation of financial instruments

Accounting policy:

Financial assets and liabilities

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

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

Financial assets

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

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

At fair value through profit or loss

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

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

At amortised cost

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

Deposits

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

Cash and cash equivalents

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

Financial liabilities

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS.

12. Categorisation of financial instruments continued

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS.

13. Portfolio: Equity and debt investments

Accounting policy:

Fair value hierarchy

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

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

Equity investments

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

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

Valuation techniques used

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

Valuation techniques used include:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS.

13. Portfolio: Equity and debt investments continued

The fair value indicated by a recent transaction is used to calibrate inputs used with valuation techniques including those noted on page 213. At each measurement date, an assessment is made as to whether changes or events subsequent to the relevant transaction would imply a change in the investment's fair value. The Price of a Recent Investment is not considered a standalone valuation technique (see further considerations below). Where the current fair value of an investment is unchanged from the price of a recent financing, the Group refers to the valuation basis as 'Recent Financing'.

Price of recent investment as an input in assessing fair value

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

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

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

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

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

Debt investments

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

Disclosure of unrealised and realised gains and losses

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

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

Changes in fair values of investments do not constitute revenue

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS.

13. Portfolio: Equity and debt investments continued

Top 20 Equity and Debt Investments by holding value

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS.

13. Portfolio: Equity and debt investments continued

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS.

13. Portfolio: Equity and debt investments continued

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

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

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

The Group has considered the impact of ESG and climate change issues on its portfolio, including performing a materiality assessment (see TCFD disclosures on page 72) which suggested the Group's portfolio has a relatively low level of climate change risk, and clear areas of opportunity via the Group's Cleantech investments. To view the portfolio split by sector, please refer to the portfolio analysis by sector on page 24. We believe our current valuation approach, based largely on quoted valuations, and recent financing transactions, reflects market participant assessment of the ESG and climate risks and opportunities of our portfolio.

Valuation inputs and sensitivities

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

The sensitivity analysis table on page 218 has been prepared in recognition of the fact that some of the valuation methodologies applied by the Group in valuing the portfolio investments involve subjectivity in their significant unobservable inputs. The table illustrates the sensitivity of the valuations to these inputs. The inputs of investments valued using techniques which involve significant subjectivity have been flexed by +/- 10%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS.

13. Portfolio: Equity and debt investments continued

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS.

13. Portfolio: Equity and debt investments continued

Within the 'Other: DCF' category on page 218 is Istesso Limited, whose equity is valued at £80.8m as at 31 December 2022 (2021: £80.8m). Our estimated range for the value of the Group's equity investment in Istesso based on this DCF model as at 31 December 2022 is £65.0m to £105.0m (2021: £66.3m to £106.0m).

Within the 'Adjusted valuation' category on page 218 is First Light Fusion Limited, whose equity is valued at £114.5m as at 31 December 2022 (2021: £57.3m). The valuation of this company involves an assessment against comparable companies and involves certain key assumptions around their comparability and First Light's assumed maturity value. Our estimated range for the value of the Group's equity investment in First Light Fusion based on this model as at 31 December 2022 is £92.5m to £185.8m (2021: The company was valued based on a recent financing price).

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

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

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

Currency risk

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

At 31 December 2022

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS.

13. Portfolio: Equity and debt investments continued

At 31 December 2021

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

14. Portfolio: Limited and limited liability partnership interests

Accounting Policy:

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS.

14. Portfolio: Limited and limited liability partnership interests continued

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS.

15. (Loss)/gain on disposal of equity investments

	2022 £m	2021 £m
Disposal proceeds	**28.1**	213.4
Movement in amounts receivable on sale of debt and equity investments	**5.8**	27.2
Carrying value of investments	**(41.7)**	(159.1)
(Loss)/profit on disposal	**(7.8)**	81.5

(Loss)/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.

16. Trade and other receivables

Current assets	2022 £m	2021 £m
Trade debtors	**2.1**	1.7
Prepayments	**0.8**	0.4
Right of use asset	**0.7**	1.2
Other receivables	**5.2**	3.6
Trade and other receivables	**8.8**	6.9

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS.

17. Receivable on sale of debt and equity investments

Accounting Policy:

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.

	2022 £m	2021 £m
Deferred and contingent consideration (non–current)	**6.9**	31.3
Deferred and contingent consideration (current)	**41.3**	11.0
Total deferred and contingent consideration	**48.2**	42.3

The following table summarises the primary valuation basis used to value the deferred consideration:

Investment	Primary Valuation Basis	2022 £m	2021 £m
WaveOptics Limited	Discounted sale amount	**28.8**	23.9
Enterprise Therapeutics Holdings Limited	Probability-weighted DFC model	**12.5**	14.0
Athenex, Inc.	Probability-weighted DFC model	**5.6**	4.2
Reinfer Limited	Discounted sale amount	**1.1**	–
Perpetuum Limited	Discounted sale amount	**0.2**	0.2
Total		**48.2**	42.3

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS.

18. Trade and other payables

Current liabilities	2022 £m	2021 £m
Trade payables	**1.3**	0.5
Social security expenses	**0.6**	1.0
Bonus accrual	**2.8**	3.3
Lease liability	**0.9**	1.3
Payable to Imperial College and other third parties under revenue share obligations (see note 20)	**7.1**	8.4
Other accruals and deferred income	**4.2**	4.2
Trade and other payables	**16.9**	18.7

19. Borrowings and Loans from Limited Partners of consolidated funds

Current liabilities	2022 £m	2021 £m
Borrowings	**6.3**	15.4
Total	**6.3**	15.4

Non–current liabilities	2022 £m	2021 £m
Loans drawn down from the Limited Partners of consolidated funds	**19.5**	18.7
Borrowings	**75.1**	36.4
Total	**94.6**	55.1

Loans drawn down from the Limited Partners of consolidated funds

Accounting Policy:
The Group consolidates the assets of a co–investment fund, IP Venture Fund II LP, which it manages. Loans from third parties of consolidated funds represent third–party LP loans into this partnership. Under the terms of the Limited Partnership Agreement, 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 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 £19.5m (2021: £18.7m).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS.

19. Borrowings and Loans from Limited Partners of consolidated funds continued

Borrowings

Accounting Policy:
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. Costs incurred in the course of issuing additional debt are recognised on the balance sheet and charged to the income statement on a straight line basis over the term of the borrowings.

The Group has expanded its debt facilities in the year with the addition of an agreed borrowing primarily from Phoenix group to an existing loan from the European Investment Bank which it has used to fund our portfolio of businesses. The terms of the facilities are summarised below:

Description	Initial amount	Outstanding amount	Date drawn	Interest rate	Repayment terms	Repayment commencement date
EIB Facility	£50.0m	£21.9m	Feb 2017	Fixed 3.026%	8 years	Jul 2018
IP Group Series A Notes	£20.0m	£20.0m	Dec 2022	Fixed 5.230%	5 years	Dec 2027
IP Group Series B Notes	£20.0m	£20.0m	Dec 2022	Fixed 5.210%	6 years	Dec 2028
IP Group Series C Notes	£20.0m	£20.0m	Dec 2022	Fixed 5.300%	7 years	Dec 2029
Total	**£110.0m**	**£81.9m**				

Loans totalling £81.9m (2021: £40.8m) are subject to fixed interest rates and are recognised at amortised cost. The fair value of these loans as at 31 December 2022 is £76.9m (2021: £43.0m).

In December 2022, the Group issued the first Tranche of £60m of a £120m loan Note Purchase Agreement ("NPA"). The Group has a further £60m committed borrowing that will be issued in June 2023. The NPA contains the following covenants:

- Total equity must be at least £500m as at the Group's 30 June and 31 December reporting dates
- Gross debt less restricted cash must not exceed 25% of total equity as at the Group's 30 June and 31 December reporting dates
- The Group must maintain cash and cash equivalents of not less than £25m at any time

Breach of any of the above covenants constitutes default under the NPA.

The NPA also includes the concept of a 'Cash Trap', which is triggered based on conditions listed on page 226. In the event of the Cash Trap being triggered, the Group is not permitted to pay or declare a dividend, or purchase any of its shares. In addition, investments are restricted to £2.5m per calendar quarter other than those legally committed to. The Group is also required to place the net proceeds of all realisations (over a threshold of £1m) into a blocked bank account. Entering a Cash Trap does not constitute a default under the NPA.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS.

19. Borrowings and Loans from Limited Partners of consolidated funds continued

A Cash Trap period is entered if any of the following conditions are breached.

- Total equity must be at least £750m as at the Group's 30 June and 31 December reporting dates
- Gross debt less restricted cash must not exceed 20% of total equity as at the Group's 30 June and 31 December reporting dates
- The Group must maintain cash and cash equivalents of not less than £50m at any time.

A cash trap period can be remedied by:

- Transferring sufficient cash into the restricted cash account so that gross debt less restricted cash exceeds 20% of total equity
- If because of low equity of high leverage, once these are restored at a subsequent 30 June or 31 December measurement date
- If because of low liquidity, once two month-ends have passed with liquidity > £50m

The EIB loan contains a debt covenant requiring that the ratio of the total fair value of IP Group investments plus cash and qualifying liquidity to debt should at no time fall below 6:1. The Group must maintain that the amount of unencumbered funds freely available to the Group set with reference to the outstanding EIB facility which was £21.9m at December 2022 (2021 £39.9m). 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, which totalled £3.5m on 31 December 2022 (2021: £9.4m) The Group is required to maintain a minimum cash balance of £13.1m (2001: £30m).

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

The 2022 NPA includes fixed and floating charges over the Company's assets, details of which are available on Companies House.

The maturity profile of the borrowings including undiscounted cash flows and fixed interest was as follows:

	2022 £m	2021 £m
Due within 6 months	**4.8**	8.3
Due 6 to 12 months	**4.8**	8.2
Due 1 to 5 years	**48.4**	38.5
Due after 5 years	**43.1**	–
Total[1]	**101.1**	55.0

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS.

19. Borrowings and Loans from Limited Partners of consolidated funds continued

The maturity profile of the borrowings was as follows:

	2022 £m	2021 £m
Due within 6 months	**3.1**	7.7
Due 6 to 12 months	**3.2**	7.7
Due 1 to 5 years	**35.6**	36.4
Due after 5 years	**40.0**	–
Total[1]	**81.9**	51.8

[1] These are gross amounts repayable and exclude amortised costs of £0.5m (2021: £nil) incurred on obtaining the Phoenix loans, these are amortised on a straight line basis over the life of the borrowings.

A reconciliation in the movement in borrowings is as follows:

	2022 £m	2021 £m
At 1 January	**51.8**	67.3
Amortisation of costs	**–**	(0.1)
Capitalised loan costs	**(0.6)**	–
Repayment of debt	**(29.8)**	(15.4)
New borrowings	**60.0**	–
At 31 December	**81.4**	51.8

There were no non–cash movements in debt.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS.

20. Revenue share liability

Accounting Policy:

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).

	2022 £m	2021 £m
Current liabilities: revenue share liability (note 18)	**7.1**	8.4
Non–current liabilities: revenue share liability (note 13)	**13.0**	13.1
Revenue share liability	**20.1**	21.5

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 2022, £13.0m of our equity investment were payable to Imperial College and other third parties on their disposal under these arrangements (i.e. 50% of a gross investment amount of approximately £26m) (2021: £13.1m). A corresponding non–current liability is recognised in respect of these revenue sharing obligations based on the fair value of the related assets. There is no fixed maturity on the liability as its value is crystalised on sale of the linked portfolio equity investment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS.

21. Share capital

Accounting policy:

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.

	2022		2021	
Issued and fully paid:	Number	£m	Number	£m
Ordinary shares of 2p each				
At 1 January	**1,063,033,287**	**21.3**	1,062,353,734	21.3
Issued in respect of scrip dividend	**154,718**	**–**	679,553	–
Share capital at 31 December	**1,063,188,005**	**21.3**	1,063,033,287	21.3
Existing treasury shares at 1 January	**(22,279,127)**	**(0.4)**	–	–
Purchase of treasury shares	**(7,429,494)**	**(0.1)**	(22,279,127)	(0.4)
Transfer of shares in respect of scrip dividend	**330,851**	**–**	–	–
Shares transferred out of treasury for SAYE	**497,249**	**–**	–	–
Settlement of employee share-based payments	**770,148**	**–**	–	–
Outstanding at 31 December	**1,035,077,632**	**20.8**	1,040,754,160	20.9

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 2022, the Company purchased 7,429,494 ordinary shares, with an aggregate value of £8.0m, and they are held in treasury. Retained profits have been reduced by £7.9m, being the net consideration paid for these shares, including the expenses directly relating to the treasury share purchase.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS.

22. Deconsolidation and disposal of subsidiaries

In November 2021 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.

Total loss on deconsolidation/disposal:

	2022 £m	2021 £m
Deconsolidation of IPG Cayman LP	–	(3.0)
IPG Cayman LP	–	(0.8)
Total income statement amount	–	(3.8)

In 2021, 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 2. 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	2022 £m	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 2022 (see note 24)	–	69.7
Loss on deconsolidation:	–	(3.0)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS.

23. Share–based payments

In 2022, the Group continued to incentivise employees through its LTIP and AIS. Both are described in more detail in the Directors' Remuneration Report on pages 140 to 162.

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 2022	Weighted-average exercise price 2022	Number of options 2021	Weighted-average exercise price 2021
At 1 January	**1,311,615**	**–**	743,489	–
AIS deferral shares award during the year	**2,066,174**	**–**	975,254	–
Exercised during the year	**(821,107)**	**–**	(407,128)	–
Forfeit during the year	**–**	**–**	–	–
At 31 December	**2,556,682**	**–**	1,311,615	–
Exercisable at 31 December	**2,881**	**–**	10,699	–

770,148 shares were transferred from treasury in respect of DBSP scheme during the year, comprising 760,933 DBSP options exercised on 25th April 2022 and a further 9,215 shares added to reflect scrip dividends issued since the original DBSP award. A further 60,174 shares were exercised in December 2022.

The options outstanding at 31 December 2022 had an exercise price of £nil (2021: £nil) and a weighted–average remaining contractual life of 0.6 years (2021: 0.6 years).

The weighted average share price at the date of exercise for share options exercised in 2022 was 84.4p (2021: 121.3p).

As the 2022 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 2022.

IP Group Restricted Share Plan ("RSP")

As set out in the Remuneration Policy approved by shareholders in 2022, a Restricted Share Plan was introduced in 2022 to replace the previous LTIP structure. Vesting of these awards will take place over a three-year period commencing on 1 April 2023. Any RSP awards that vest will be subject to a further two-year holding period. Vesting will be subject to a financial underpin based on NAV growth over the vesting period. For 2022 awards, the financial underpin has been set such that 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. Further information on the Group's RSP is set out in the Directors' Remuneration Report on pages 140 to 162.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS.

23. Share–based payments continued

The 2022 RSP awards were made on 28 June 2022. The awards will ordinarily vest on 31 March 2025, to the extent that the performance conditions have been met.

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

	Number of options 2022	Weighted-average exercise price 2022	Number of options 2021	Weighted-average exercise price 2021
At 1 January	–	–	–	–
Lapsed during the year	–	–	–	–
Forfeited during the year	(74,235)	–	–	–
Notionally awarded during the year	3,532,744	–	–	–
At 31 December	**3,458,509**	–	–	–
Exercisable at 31 December	–	–	–	–

The options outstanding at 31 December 2022 had an exercise price in the range of £nil and a weighted–average remaining contractual life of 4.2 years.

The fair value of the RSP shares notionally awarded in 2022 was calculated using the Finnerty pricing model with the following key assumptions:

	2022	2021
IP Group share price as of valuation date	**£0.558**	£1.254
Exercise price	**£nil**	£nil
Indicated Discount for Lack of Marketability	**14.7%**	n/a
Adjusted probability assigned for performance conditions	**20.0%**	n/a
Fair value at grant date	**£0.21**	£0.35

Pre 2022 IP Group 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 140 to 162.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS.

23. Share–based payments continued

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 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 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 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 NAV increasing by 15% per year on a cumulative basis, from 1 January 2020 to 31 December 2022, and TSR increasing by 15% per year on a cumulative basis from the date of award to 31 March 2023, using an industry–standard average price period at the beginning and end of the performance period. Further, the matrix is designed such that 30% of the award shall vest (again prior to the application of the underpin) if the cumulative increase is 8% per annum for both measures over their respective performance periods ("threshold performance"). A straight–line sliding scale is applied for performance between the distinct points on the matrix of vesting targets.

The 2019 LTIP awards partially met the threshold performance target and 3,529,818 number vested, 2,534,571 lapsed on 31 March 2022. NAV growth to 31 December 2021 was above the minimum threshold and below the maximum threshold. The one-month average share price at 31 March 2022 was below lower TSR target and that of the FTSE 250 TSR performance. The performance measures were achieved in full however the underpin was only partially achieved, as a result 51.1% of the 2019 LTIP awards vested on 31 March 2022. Vested shares are subject to a further two-year holding period until 31/03/2024 and will be issued to participants only at the end of this period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS.

23. Share–based payments continued

The table below sets out the performance measures relating to the 2019 LTIP awards and the actual performance achieved.

Performance condition	Target Performance	Actual Performance
NAV (at 31 Dec 2021)	8%: £1.52bn	£1.77bn
	15%: £1.84bn	(+13.3% p.a.)
Annual TSR (share price)	8%: 119.6p	95p
	15%: 144.4p	(–1.3% p.a. growth)
Comparative TSR	FTSE 250 +7.1%	IP Group –8.4%

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

	Number of options 2022	Weighted-average exercise price 2022	Number of options 2021	Weighted-average exercise price 2021
At 1 January	**17,113,631**	**–**	18,853,309	–
Lapsed during the year	**(2,534,571)**	**–**	(4,753,071)	–
Forfeited during the year	**(89,021)**	**–**	(1,790,049)	–
Notionally awarded during the year	**–**	**–**	4,803,442	–
At 31 December	**14,490,039**	**–**	17,113,631	–
Exercisable at 31 December	**3,529,818**	**–**	–	–

The options outstanding at 31 December 2022 had an exercise price in the range of £nil (2021: £nil) and a weighted–average remaining contractual life of 2.0 years (2021: 1.1 years).

The fair value of LTIP shares awarded in 2021 and 2020 for which a charge has been recognised in 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%)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS.

23. Share–based payments continued

Former Touchstone LTIPs

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.

	Number of options 2022	Weighted-average exercise price 2022	Number of options 2021	Weighted-average exercise price 2021
At 1 January	**102,033**	**0.01**	386,794	0.01
Forfeited during the year	**–**	**0.01**	–	0.01
Lapsed during the year	**(91,064)**	**0.01**	(258,958)	0.01
Vested during the year	**(10,969)**	**0.01**	(25,803)	0.01
At 31 December	**–**	**0.01**	102,033	0.01
Exercisable at 31 December	**–**	**–**	–	–

There were no options outstanding at 31 December 2022, (2021: exercise price of 1.366p and a weighted-average remaining contractual life of 0.9 years).

2006 schemes:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS.

23. Share–based payments continued

	Number of options 2022	Weighted–average exercise price 2022	Number of options 2021	Weighted–average exercise price 2021
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 2022 had an exercise price of £2.13 (2021: £2.13) and a weighted–average remaining contractual life of 1.9 years (2021: 2.9 years).

The fair value charge recognised in the statement of comprehensive income during the year in respect of all share–based payments, including the DBSP, LTIP and Former Touchstone LTIP, was £2.9m (2021: £2.6m).

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

Accounting Policy:

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS.

25. Related party transactions

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

A) Key management transactions

(i) Key management personnel transactions

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS.

25. Related party transactions continued

Director/ PDMR	Company name	Number of shares held at 1 January 2022	Number of shares acquired/ (disposed of) in the period	Number of shares held at 31 December 2022	%
Mark Reilly	Actual Experience plc	28,000	–	**28,000**	<0.1%
	AudioScenic Limited	–	53	**53**	<0.1%
	Bramble Energy Limited	16	–	**16**	<0.1%
	Diffblue Limited[3]	8,038	–	**8,038**	<0.1%
	Diurnal Group plc[2]	7,500	(7,500)	**–**	0.00%
	Itaconix plc	377,358	–	**377,358**	<0.1%
	Mirriad Advertising plc	66,666	–	**66,666**	<0.1%
	Oxbotica Limited	8	–	**8**	<0.1%
	Ultraleap Holdings Limited	1,700	–	**1,700**	<0.1%
Sam Williams	Accelercomm Limited	127	–	**127**	<0.1%
	Alesi Surgical Limited	1	–	**1**	<0.1%
	Centessa Pharmaceuticals plc	–	3,247	**3,247**	<0.1%
	Creavo Medical Technologies Limited[1]	23	–	**23**	<0.1%
	Diurnal Group plc[2]	113,819	(113,819)	**–**	0.00%
	Genomics plc	333	–	**333**	<0.1%
	Ibex Innovations Limited	1,701	–	**1,701**	<0.1%
	Istesso Limited	7,048,368	–	**7,048,368**	8.89%
	Microbiotica Limited	7,000	–	**7,000**	<0.1%
	Mirriad Advertising plc	3,333	–	**3,333**	<0.1%
	Oxbotica Limited	3	–	**3**	<0.1%
	Oxehealth Limited	33	–	**33**	<0.1%
	Oxford Nanopore Technologies plc	18,540	–	**18,540**	<0.1%
	Topivert Limited[1]	1,000	–	**1,000**	<0.1%
	Ultraleap Holdings Limited	558	–	**558**	<0.1%
Joyce Xie	Bramble Energy Limited	88	–	**88**	<0.1%
	Creavo Medical Technologies Limited[1]	21	–	**21**	<0.1%
	Istesso Limited	4,504	–	**4,504**	<0.1%
	Mirriad Advertising plc	4,839	–	**4,839**	<0.1%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS.

25. Related party transactions continued

Director/ PDMR	Company name	Number of shares held at 1 January 2022	Number of shares acquired/ (disposed of) in the period	Number of shares held at 31 December 2022	%
	Ultraleap Holdings Limited	1,585	–	**1,585**	<0.1%
Lisa Patel	Alesi Surgical Limited	1	–	**1**	<0.1%
	Creavo Medical Technologies Limited[1]	23	–	**23**	<0.1%
	Diurnal Group plc[2]	37,500	(37,500)	**–**	0.00%
	Istesso Limited	3,477,833	–	**3,477,833**	4.39%
	Microbiotica Limited	3,000	–	**3,000**	<0.1%
	Mirriad Advertising plc	3,333	–	**3,333**	<0.1%
	Oxford Nanopore Technologies plc	9,453	–	**9,453**	<0.1%
	Topivert Limited[1]	1,000	–	**1,000**	<0.1%
	Ultraleap Holdings Limited	1,317	–	**1,317**	<0.1%
Elizabeth Vaughan-Adams	Amaethon Limited – Ordinary Shares[1]	2	–	**2**	<0.1%
	Amaethon Limited – A Ordinary Shares	8	–	**8**	<0.1%
	Amaethon Limited – B Shares	929	–	**929**	<0.1%
	Bramble Energy Limited – A Ordinary Shares	–	2	**2**	<0.1%
	Creavo Medical Technologies Limited[1]	23	–	**23**	<0.1%
	Crysalin Limited[1]	100	–	**100**	<0.1%
	Deep Matter Group plc	82,393	1,655,440	**1,737,833**	<0.1%
	Diurnal Group plc[2]	4,844	(4,844)	**–**	0.00%
	Emdot Limited[1]	3	–	**3**	<0.1%
	First Light Fusion Limited	77	–	**77**	<0.1%
	Istesso Limited – A Shares	218,448	–	**218,448**	0.19%
	Mirriad Advertising plc	4,941	–	**4,941**	<0.1%
	Oxford Nanopore Technologies plc	4,500	–	**4,500**	<0.1%
	Rio AI Limited[4]	2,258,185	13,986,014	**16,244,199**	<0.1%
	Surrey Nanosystems Limited	53	–	**53**	<0.1%
	Tissue Regenix Group plc	75,599	–	**75,599**	<0.1%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS.

25. Related party transactions continued

Director/ PDMR	Company name	Number of shares held at 1 January 2022	Number of shares acquired/ (disposed of) in the period	Number of shares held at 31 December 2022	%
	Ultraleap Holdings Limited	400	–	**400**	<0.1%
Angela Leach	Amaethon Limited – Ordinary Shares[1]	2	–	**2**	<0.1%
	Amaethon Limited – B Shares	1,394	–	**1,394**	<0.1%
	Amaethon Limited – A Ordinary Shares	12	–	**12**	<0.1%
	Alesi Surgical Limited	2	–	**2**	<0.1%
	AudioScenic Limited	–	53	**53**	<0.1%
	Barocal Limited	–	1,010	**1,010**	<0.1%
	Boxarr Limited	102	–	**102**	<0.1%
	Bramble Energy Limited	8	5	**13**	<0.1%
	Creavo Medical Technologies Limited[1]	23	–	**23**	<0.1%
	Crysalin Limited[1]	149	–	**149**	<0.1%
	Deep Matter Group plc	68,101	–	**68,101**	<0.1%
	Diffblue Limited	644	–	**644**	<0.1%
	Diurnal Group plc[2]	11,500	(11,500)	**–**	0.00%
	Emdot Limited[1]	4	–	**4**	0.23%
	Featurespace Limited	–	240	**240**	<0.1%
	First Light Fusion Limited	27	–	**27**	<0.1%
	Ieso Digital Health Limited – B2 Preferred Shares	29	–	**29**	<0.1%
	Istesso Limited – A Shares	322,923	–	**322,923**	0.28%
	Itaconix plc	4,500	–	**4,500**	<0.1%
	Mirriad Advertising plc	16,667	–	**16,667**	<0.1%
	Mixergy Limited	206	–	**206**	<0.1%
	Oxbotica Limited	3	–	**3**	<0.1%
	Oxford Nanopore Technologies plc	37,880	29	**37,909**	<0.1%
	OxONN Limited	–	20,000	**20,000**	<0.1%
	Rio AI Limited[4]	180,308	–	**180,308**	<0.1%
	Sunborne Systems Limited	–	2	**2**	<0.1%
	Surrey Nanosystems Limited	78	–	**78**	<0.1%
	Tissue Regenix Group plc	146,791	–	**146,791**	<0.1%
	Ultraleap Holdings Limited	500	–	**500**	<0.1%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS.

25. Related party transactions continued

Director/ PDMR	Company name	Number of shares held at 1 January 2022	Number of shares acquired/ (disposed of) in the period	Number of shares held at 31 December 2022	%
	Xeros Technology Group plc	16	–	**16**	<0.1%
Chris Glasson	8Power Limited	400	–	**400**	<0.1%
	Audioscenic Limited	967	–	**967**	<0.1%
	Creavo Medical Technologies Limited[1]	105	–	**105**	<0.1%
	Istesso Limited	9,009	–	**9,009**	<0.1%
	Mirriad Advertising plc	8,064	–	**8,064**	<0.1%
	Oxbotica Limited	34	–	**34**	<0.1%
	Oxehealth Limited	328	–	**328**	<0.1%
	Topivert Limited – B2 Preferred Shares[1]	3,000	–	**3,000**	<0.1%
	Ultraleap Holdings Limited	1,585	–	**1,585**	<0.1%
Moray Wright	Mirriad Advertising plc	73,664	–	**73,664**	<0.1%
	OxSyBio Limited[1]	20	–	**20**	<0.1%
Anthony York	Diffblue Limited	–	179	**179**	<0.1%

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

Updated policy for Executive Director holdings in Portfolio Companies

As described in in the Directors' Remuneration Report on pages 140 to 162, a new policy for Executive Director shareholdings in portfolio companies was agreed during the year under which:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS.

25. Related party transactions continued

(ii) Key management personnel compensation

Key management personnel compensation comprised the following:

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

1 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.

2 Represents employer contributions to defined contribution pension and life assurance plans.

3 Represents the accounting charge for share-based payments, reflecting LTIP and DBSP options currently in issue as part of these schemes. See note 23 for a detailed description of these schemes.

B) Portfolio companies

(i) Services

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS.

25. 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	2022 £m	2021 £m
Net portfolio gains	**75.0**	56.5

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

C) Subsidiary companies

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

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

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

26. Capital management

The Group's key objective when managing capital is to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders. The Group sets the amount of capital in proportion to risk. The Group manages the capital structure, and makes adjustments to it, in light of changes in economic conditions and the risk characteristics of its underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of issued share capital, issue or repay debt and dispose of interests in portfolio companies.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS.

27. Capital commitments

Commitments to Limited Partnerships

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

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

28. Dividends

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS.

29. Alternative performance measures ("APM")

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

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

APM	Reference for reconciliation	Definition and purpose	Calculation	2022 £m	2021 £m
NAV per share[1]	Primary statements, note 21	NAV per share is defined as Net Assets divided by the number of outstanding shares. The measure shows net assets managed on behalf of shareholders by the Group per outstanding share. NAV per share is a standard measure used within our peer group and can be directly compared with the Group's share price.	NAV	**£1,376.1m**	£1,738.1m
			Shares in issue	**1,035,077,632**	1,040,754,160
			NAV per share	**132.9p**	167.0p
Return on NAV	Primary statements note 4	Return on NAV is defined as the total comprehensive income or loss for the year excluding charges which do not impact on net assets, specifically share–based payment charges. The measure shows a summary of the income statement gains and losses which directly impact NAV.	Total comprehensive income	**(344.0)**	449.6
			Excluding:		
			Share-based payment charge	**2.9**	2.6
			Return on NAV	**(341.1)**	452.2
Net portfolio gains	note 13, 15, 22	Net portfolio gains are defined as the movement in the value of holdings in the portfolio due as a result of realised and unrealised gains and losses. The measure shows a summary of the income statement gains and losses which are directly attributable to the Total Portfolio (see definition on page 246), which is a headline measure for the Group's portfolio performance. This is a key driver of the Return on NAV which is a performance metric for directors' and employees' incentives.	Change in fair value of equity and debt investments	**(303.4)**	415.9
			Gain on disposal of equity investments	**(7.8)**	81.5
			Change in fair value of LP interests[2]	**2.1**	1.8
			Net portfolio gains	**(309.1)**	499.2

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS.

29. Alternative performance measures ("APM") continued

APM	Reference for reconciliation	Definition and purpose	Calculation	2022 £m	2021 £m
Total portfolio	Consolidated statement of financial position, note 13, 14	Total portfolio is defined as the total of equity investments, debt investments and investments in LPs. This measure represents the aggregate balance sheet amounts which the Group considers to be its investment portfolio, and which is described in further detail within the portfolio review section of the strategic report.	Equity investments	**1,120.8**	1,391.8
			Debt investments	**38.1**	22.8
			LP interests	**99.6**	92.9
			Total Portfolio	**1,258.5**	1,507.5
Portfolio investment[3]	Primary statements	Portfolio investment is defined as the purchase of equity and debt investments plus investments into limited participation interests. This gives a combined measure of investment into the Group's portfolio.	Purchase of equity and debt investments	**(88.9)**	(103.7)
			Investment in limited and limited liability partnerships	**(4.6)**	(3.0)
			Portfolio investment	**(93.5)**	(106.7)
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. Net overheads exclude items such as share–based payments and consolidated portfolio company costs.	Other income	**7.1**	13.6
			Other administrative expenses	**(27.4)**	(33.2)
			Excluding:		
			Administrative expenses – consolidated portfolio companies	**0.1**	0.1
			Net overheads	**(20.2)**	(19.5)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS.

29. Alternative performance measures ("APM") continued

APM	Reference for reconciliation	Definition and purpose	Calculation	2022 £m	2021 £m
Gross cash and deposits	Primary statements	Cash and deposits 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	**88.7**	105.7
			Deposit	**152.8**	216.2
			Cash	**241.5**	321.9
(Loss)/profit excluding ONT[4]	Primary statements	(Loss)/profit excluding ONT is defined as the Groups (loss)/profit for the year (after tax) excluding the (loss)/profit on the investment held in Oxford Nanopore publicly quoted shares both realised and unrealised.	(Loss)/gain for the year	**(344.5)**	499.2
			Excluding:		
			Change in fair value of equity investment in Oxford Nanopore	**369.7**	(297.1)
			Profit for the year	**25.2**	202.1

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

2 Following the deconsolidation of IPG Cayman LP, LP investments have been added to the definitions of Total Portfolio, and Net Portfolio Gains and a new APM Portfolio Investment has been created which aggregates investment into equity and debt investments with investments into LP funds, to give a measure reflecting total investment into the Group's portfolio.

3 The APM 'Net Realisations/Investments' used in prior years is no longer believed to represent a useful additional measure.

4 Given the size and volatility of the Group's holding in Oxford Nanopore, the directors believe that this new measure showing profit excluding fair value movements in Oxford Nanopore represents a useful additional measure for users of the accounts.

30. Post balance sheet events

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

COMPANY BALANCE SHEET.
AS AT 31 DECEMBER 2022

	Note	2022 £m	2021 £m
ASSETS			
Non-current assets			
Investment in subsidiary undertakings	2	**329.2**	326.7
Equity and debt investments	3	**3.5**	3.5
Limited liability partnership interests	4	**2.7**	2.7
Loans to subsidiary undertakings: long term	5	**599.0**	470.1
Total non-current assets		**934.4**	803.0
Current assets			
Loans to subsidiary undertakings: short term	5	**–**	103.0
Cash & cash equivalent		**0.1**	–
Total current assets		**0.1**	103.0
Total assets		**934.5**	906.0
EQUITY AND LIABILITIES			
Capital and reserves			
Called up share capital	6	**21.3**	21.3
Share premium account	6	**102.8**	102.7
Retained earnings	6	**750.3**	769.5
Total equity attributable to equity holders		**874.4**	893.5
Current liabilities			
Trade and other payables		**0.6**	0.4
Borrowings		**–**	6.1
Total current liabilities		**0.6**	6.5
Non-current liabilities			
Borrowings		**59.5**	6.0
Total non-current liabilities		**59.5**	6.0
Total liabilities		**60.1**	12.5
Total equity and liabilities		**934.5**	906.0

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 loss for the financial year was £1.4m (profit: 2021: £2.4m)

The accompanying notes form an integral part of the financial statements. The financial statements on pages 248 to 249 were approved by the Board of Directors and authorised for issue on 7 March 2022 and were signed on its behalf by:

Greg Smith
Chief Executive Officer

David Baynes
Chief Financial Officer

COMPANY STATEMENT OF CHANGES IN EQUITY.
AS AT 31 DECEMBER 2022

	Share capital £m	Share premium[i] £m	Retained earnings[ii] £m	Total £m
At 1 January 2021	21.3	101.9	807.5	930.7
Comprehensive income	–	–	2.4	2.4
Issue of shares[iii]	–	0.8	–	0.8
Purchase of treasury shares[iv]	–	–	(27.2)	(27.2)
Equity-settled share-based payments [v]	–	–	2.6	2.6
Ordinary dividends[vi]	–	–	(15.8)	(15.8)
At 1 January 2022	**21.3**	**102.7**	**769.5**	**893.5**
Comprehensive income	–	–	(1.4)	(1.4)
Issue of shares[iii]	–	0.1	–	0.1
Purchase of treasury shares[iv]	–	–	(8.0)	(8.0)
Equity-settled share-based payments[v]	–	–	2.9	2.9
Ordinary dividends[vi]	–	–	(12.7)	(12.7)
At 31 December 2022	**21.3**	**102.8**	**750.3**	**874.4**

(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) Issue of shares – Share premium in connection with the Interim Scrip Dividend, the Group has received valid elections from shareholders resulting in a requirement to issue new ordinary shares of 2p each ("New Shares").

(iv) Purchase of treasury shares – Reflects the issue of 7,429,494 ordinary shares, with an aggregate value of £8.0m, these were purchased by the Company during the year and are held in treasury. Total value including costs was £8.0m. (2021: 22,279,127 share purchased for total value of £27.0m, total including costs of £27.2m). These shares were purchased for the £35m share buyback. This also includes movement in treasury shares related to DBSP and employee SAYE schemes.

(v) 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.

(vi) Ordinary Dividends – Of the £12.7m dividends paid in 2022, £12.3m was settled in cash and £0.4m was settled via the issue of equity under the Group's scrip programme (2021: £15.8m, £15.0m, £0.8m). 485,569 new shares were issued in respect of the scrip dividend (2021: 679,553 shares issued).

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; from presenting a comparative period reconciliation for share capital, 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.

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.

Consideration has been given as to whether the fact that IP Group plc's shares are trading at a discount to net asset value constitutes a trigger an impairment assessment for the value of the Company's subsidiary investments. Given that the majority of the assets within the Company's subsidiaries are held at fair value, the Directors do not believe that as a result of this assessment an additional impairment is required.

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 13 to the Group's financial accounts on pages 213 to 220.

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.

NOTES TO THE COMPANY FINANCIAL STATEMENTS.

1. Accounting policies continued

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 23 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. Investments in subsidiary undertakings

	£m
At 1 January 2022	326.7
Investment in respect of share-based payments	2.9
Impairment of subsidiary undertakings in the year	(0.4)
At 31 December 2022	**329.2**

Details of the Company's subsidiary undertakings as at 31 December 2022 are detailed in note 10 to the Company financial statements.

3. Equity and debt investments

	£m
At 1 January 2022	3.5
Fair value gains in the year	–
Disposals in the year	–
At 31 December 2022	**3.5**

Details of the Company's associated undertakings and significant holdings as at 31 December 2022 are disclosed in note 11 to the Company financial statements.

4. Limited liability partnership interests

	£m
At 1 January 2022	2.7
Fair value gain during the year	–
At 31 December 2022	**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.

5. Loans to subsidiary undertakings

	£m
At 1 January 2022	573.1
Drawdown/Repayment of loans by subsidiary undertakings during the year	25.9
At 31 December 2022	**599.0**

NOTES TO THE COMPANY FINANCIAL STATEMENTS.

5. Loans to subsidiary undertakings continued

	2022 £m	2021 £m
Current	–	103.0
Non-current	**599.0**	470.1
At 31 December 2022	**599.0**	573.1

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 (2021: under £0.1m).

6. Share capital and reserves

	Share capital £m	Share premium £m	Profit and loss reserve £m
At 1 January 2022	21.3	102.7	769.5
Comprehensive income	–	–	(1.4)
Issue of shares	–	0.1	–
Purchase of treasury shares	–	–	(8.0)
Equity-settled share-based payments	–	–	2.9
Ordinary dividends	–	–	(12.7)
At 31 December 2022	**21.3**	**102.8**	**750.3**

Details of the Company's authorised share capital and changes in its issued share capital can be found in note 21 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.

7. 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 £1.4m (2021: profit of £2.4m).

Details of the auditor's remuneration are disclosed in note 6 to the consolidated financial statements.

8. 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 140 to 162.

Full details of the share-based payments charge and related disclosures can be found in note 23 to the consolidated financial statements.

The Company had no employees during 2022 or 2021.

NOTES TO THE COMPANY FINANCIAL STATEMENTS.

9. Dividends

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

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

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(iii)	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
IP Group Greater China Services Limited	100.0	100.0	100.0	Indirect
IP Group (Shenzhen) Technology Consulting Co. Ltd	100.0	100.0	100.0	Indirect
IP2IPO ANZ Carry Limited(ii)	100.0	100.0	100.0	Indirect
Kiko 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

NOTES TO THE COMPANY FINANCIAL STATEMENTS.

10. Details of subsidiary undertakings continued

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 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
IP2IPO Australia TS Pty Ltd	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],[iv]	100.0	100.0	100.0	Indirect
Fusion IP Two Limited[ii],[iv]	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.

All companies above have their registered offices at 2nd Floor 3 Pancras Square, Kings Cross, London, England, N1C 4AG, unless separately listed on the following page.

NOTES TO THE COMPANY FINANCIAL STATEMENTS.

10. Details of subsidiary undertakings continued

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.

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.

IP Group Greater China Services 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.

IP2IPO Australia TS Pty Ltd, 658 856 832, 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 and IP Group Greater China Services Limited are both 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.

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	32.6%	Group
Ordinary Shares (Accelercomm Limited)		53.5%	Group
Ordinary A Shares (Accelercomm Limited)		30.9%	Group
Alesi Surgical Limited	Cardiff Medicentre, Heath Park, Cardiff, United Kingdom, CF14 4UJ	30.2%	Group
Preferred B Shares (Alesi Surgical Limited)		9.7%	Group
Ordinary Shares (Alesi Surgical Limited)		57.0%	Group
Preferred Ordinary Shares (Alesi Surgical Limited)		40.3%	Group
Preferred C Shares (Alesi Surgical Limited)		42.0%	Group
A Shares (Alesi Surgical Limited)		100.0%	Group
Amaethon Limited	Popeshead Court Offices, Peter Lane, York, United Kingdom, YO1 8SU	27.62%	Group
A Ordinary Shares (Amaethon Limited)		52.87%	Group
B Shares (Amaethon Limited)		27.62%	Group
AnywhereHPLC Limited (ii)	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, N1C 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	20.36%	Group
Ordinary Shares (Arkivum Limited)		19.36%	Group
A Ordinary shares (Arkivum Limited)		25.72%	Group
Art of Xen Limited (ii)	NHS Liaison Unit, 4th Floor, Mckenzie House, 30–36 Newport Road, Cardiff, United Kingdom, CF24 0DE	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

NOTES TO THE COMPANY FINANCIAL STATEMENTS.

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]
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	36.06%	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	26.43%	Group
A3 Preference Shares (Autifony Therapeutics Limited)		35.53%	Group
Ordinary Shares (Autifony Therapeutics Limited)		1.71%	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
Bramble Energy Limited	6 Satellite Business Village, Fleming Way, Crawley, United Kingdom, RH10 9NE	31.74%	Group
Ordinary Shares (Bramble Energy Limited)		32.84%	Group
A Ordinary Shares (Bramble Energy Limited)		32.45%	Group
C-Capture Limited	Windsor House, Cornwall Road, Harrogate, England, HG1 2PW	35.68%	Group
Ordinary Shares (C-Capture Limited)		32.37%	Group
Series A Preference Shares - Non voting (C-Capture Limited)		100.00%	Group
Series A Preference Shares (C-Capture Limited)		37.01%	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

NOTES TO THE COMPANY FINANCIAL STATEMENTS.

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]
Crysalin Limited	The White Building, 1-4 Cumberland Place, Southampton, United Kingdom, SO15 2NP	25.34%	Group
Ordinary Shares (Crysalin Limited)		27.03%	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
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
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	21.90%	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, United Kingdom, CF10 5SF	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	27.46%	Group
Ordinary Shares (First Light Fusion Limited)		28.20%	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

NOTES TO THE COMPANY FINANCIAL STATEMENTS.

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)
Garrison Technology Limited	117 Waterloo Road, London, United Kingdom, SE1 8UL	22.58%	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	30.87%	Group
Ordinary Shares (Gripable Limited)		31.27%	Group
Hysata Pty Ltd	AIIM Building, Innovation Campus, North Wollongong NSW 2500, Australia	35.53%	Group
Ordinary Shares (Hysata Pty Ltd)		35.53%	Group
Hysata Pty Ltd - UK investment only	AIIM Building, Innovation Campus, North Wollongong NSW 2500, Australia	100.00%	Group
Ordinary Shares (Hysata Pty Ltd - UK investment only)		100.00%	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
Ieso Digital Health Limited	The Jeffreys Building, Cowley Road, Cambridge, Cambridgeshire, United Kingdom, CB4 0DS	32.15%	Group
A1 Preference Shares (Ieso Digital Health Limited)		46.70%	Group
Ordinary Shares (Ieso Digital Health Limited)		17.36%	Group
A Ordinary Shares (Ieso Digital Health Limited)		85.23%	Group
B1 Preferred Shares (Ieso Digital Health Limited)		18.43%	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
Intrinsic Semiconductor Technologies Limited	UCL Business plc, The Network Building, 97 Tottenham Court Road, London, United Kingdom, W1T 4TP	27.39%	Group
A Ordinary Shares (Intrinsic Semiconductor Technologies Ltd)		43.67%	Group

NOTES TO THE COMPANY FINANCIAL STATEMENTS.

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)
Ionix Advanced Technologies Limited	Windsor House, Cornwall Road, Harrogate, United Kingdom, HG1 2PW	28.72%	Group
B Ordinary Shares (Ionix Advanced Technologies Limited)		100.00%	Group
Ordinary Shares (Ionix Advanced Technologies Limited)		28.58%	Group
Ipalk SAS	112 Rye des Hautes Variennes, 45200, Amilly, France	22.00%	Group
Ordinary Shares (Ipalk SAS)		22.00%	Group
IPG-CEL China Ventures Limited	Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong	50.00%	Group
Istesso Limited	3 Pancras Square, Kings Cross, United Kingdom, N1C 4AG	27.54%	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	38.11%	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)		16.24%	Group
Metabometrix Limited	10 Fern Hill, Dersingham, King's Lynn, Norfolk, United Kingdom, PE31 6HT	23.00%	Group
Ordinary Shares (Metabometrix Limited)		23.00%	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
Nascient Limited (ii)	3 Field Court, London, United Kingdom, WC1R 5EF	73.22%	Group
Preference Shares (Nascient Limited)		100.00%	Group
Ordinary Shares (Nascient Limited)		50.00%	Group

NOTES TO THE COMPANY FINANCIAL STATEMENTS.

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)
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	27.95%	Group
Ordinary Shares (Oxehealth Limited)		27.99%	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	25.58%	Group
A Preference Shares (Oxular Limited)		56.19%	Group
A1 Preference Shares (Oxular Limited)		16.91%	Group
Perlemax Limited	318 Broad Lane, Kroto Innovation Centre, Sheffield, South Yorkshire, England, S3 7HQ	34.46%	Group
Ordinary Shares (Perlemax Limited)		34.46%	Group
RFC Power Limited	Windsor House, Cornwall Road, Harrogate, United Kingdom, HG1 2PW	31.90%	Group
Ordinary Shares (RFC Power Limited)		28.31%	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

NOTES TO THE COMPANY FINANCIAL STATEMENTS.

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]
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, United Kingdom, SE1 2AF	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

NOTES TO THE COMPANY FINANCIAL STATEMENTS.

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)
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) 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.

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Gregory Simon Smith
(Chief Executive Officer)

David Graham Baynes
(Chief Financial and Operating Officer)

Aedhmar Hynes
(Non-executive Director and Senior Independent Director)

Dr Caroline Anne Brown
(Non-executive Director)

Heejae Richard Chae
(Non-executive Director)

Dr Elaine Sullivan
(Non-executive Director)

Anita Kidgell
(Non-executive Director)

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