REGISTERED NUMBER: 04072979 (England and Wales)

Strategic Report, Report of the Directors and

Financial Statements for the Year Ended 31 December 2019

for

IP2IPO Limited

IP2IPO Limited (Registered number: 04072979)

Contents of the Financial Statements
for the Year Ended 31 December 2019

Company Information
for the Year Ended 31 December 2019

DIRECTORS:	A J Aubrey D G Baynes G Smith M C N Townend
SECRETARY:	IP2IPO Services Limited
REGISTERED OFFICE:	The Walbrook Building 25 Walbrook London EC4N 8AF
REGISTERED NUMBER:	04072979 (England and Wales)
AUDITORS:	KPMG LLP, Statutory Auditor Chartered Accountants 15 Canada Square London E14 5GL

IP2IPO Limited (Registered number: 04072979)

Strategic Report
for the Year Ended 31 December 2019

The directors present their strategic report for the year ended 31 December 2019.

The principal activity of IP2IPO Limited ("the Company") during the period was commercialisation of intellectual property via long-term partnerships with universities. The Company continues to create spin-out companies from its partner, and occasionally non-partner, universities and to provide business support and development services to such spin-out companies.

RESULTS AND PERFORMANCE

The results for the year are set out on page 10. The Company's profit for the period was £21,179k (year ended 31 December 2018: £68,913k loss). The directors do not propose a final dividend for the year ended 31 December 2019 (year ended 31 December 2018: £nil).

MARKET ENVIRONMENT

The year was characterised by significant geopolitical developments, including the US/China trade war and the spectre of Brexit in the UK, and the consequent increased political and economic uncertainty. In addition, there were significant developments in investor appetite and sentiment in the UK following the closure of Woodford Investment Management.

As a result, the number of companies and organisations seeking to commercialise intellectual property, and/or provide capital to spin-out companies from universities and research-intensive institutions in the UK, declined this year. This caused a significant downturn in sentiment in the sector in the UK with a number of other capital providers also taking a far more cautious approach with access to capital in the UK coming under pressure in 2019. In response, IP Group focussed on driving value from its diversified and maturing portfolio of assets by substantially increasing cash realisations, either by partially or fully exiting holdings in some companies.

In addition, there was a continuation of the trend that private companies have, on the whole, found it easier to raise finance at attractive valuations than those on the public markets and thus we have seen companies staying private for longer.

As is more fully described in the Risk Management section on pages 31 to 43, while the ongoing European Union exit negotiations may have an impact on the Group's business, management has taken mitigating actions in recent years, including diversification of access to both research and capital. The Group has operations, portfolio companies and co-investors in the UK, US, Australasia and Asia. In addition, the Group continues to take steps to broaden its shareholder register and counts several large global investors among its shareholder base.

STRATEGY

The Company's business plan is to continue to create spin-out companies from its partner, and occasionally non-partner, universities and to provide business support and development services to such spin-out companies.

KEY PERFORMANCE INDICATORS

The directors of IP Group plc manage the group's operations on a divisional basis. For this reason, the Company's directors believe that analysis using KPIs for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business of the Company. The development, performance and position of IP Group plc, which includes the Company, is discussed in IP Group plc's 2019 annual report and financial statements which do not form part of this report.

PRINCIPAL RISKS AND UNCERTAINTIES

The management of the business and the execution of the Company's strategy are subject to a number of risks.

The key business risks and uncertainties affecting the Company are considered to relate to the protection of intellectual property and market risk in respect of its equity investments. The principal risks and uncertainties are integrated with the principal risks and uncertainties of the larger group and are not managed separately. Further discussion of these risks and uncertainties, in the context of the group as a whole, is provided on pages 31 to 43 of IP Group plc's 2019 annual report and financial statements which does not form part of this report.

In addition, at present the Directors do not envisage the Covid-19 pandemic will result in a significant adverse impact for the Company, however given that the outcome of the Covid-19 pandemic is uncertain we acknowledge that a definitive assessment of its impact cannot be made at this time.

FINANCIAL INSTRUMENTS

The Company's primary exposure to financial instruments is in relation to the holding of equity and debt instruments in spin-out companies, cash and trade debtors.

The directors manage the risks inherent in the holding of equity and debt instruments through the establishment, at a Group-wide level, of 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.

Furthermore, the Company maintains adequate liquid capital such that it is not reliant on external providers of liquidity to support its operations.

FUTURE OUTLOOK
The directors believe the Company will continue to trade for the foreseeable future.

STATEMENT BYT THE DIRECTORS IN PERFORMANCE OF THEIR DUTIES IN ACCORDANCE WITH s172(1) COMPANIES ACT 2006
The directors of IP2IPO Limited (the "Company") consider, both individually and together as a Board, that they have acted in the way that they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole. This statement sets out 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 2019.

The directors determined that the Company is required to produce a s172 statement for 2019 as it exceeds the thresholds for a small company and is part of an ineligible group (as defined in The Companies (Miscellaneous Reporting) Regulations 2018 (SI 2018/860)) as its parent company, IP Group plc, has shares admitted to trading on the Main Market of London Stock Exchange.

Identifying key stakeholders
The Company's stakeholders are people, communities and entities with an interest in the Company's purpose, strategy and business and who are or may be impacted by the Board's decisions. The Board is responsible for creating sustainable value for the Company's sole shareholder and in order to ensure the Company's long-term success, it is critical that the Board engages with and considers the interests of the Company's wider stakeholders when making decisions.

During 2019, the Company undertook a complete analysis of its stakeholders, to ensure that those stakeholders whom it had previously identified remained accurately characterised and relevant in 2019. Following such analysis, the Board determined that the Company's key stakeholders are IP Group plc (as its sole shareholder) together with the following stakeholders (which are also the stakeholders of IP Group plc):

- Employees
- Portfolio companies
- Co-investors
- Universities and other research partners
- The environment and wider community
- The European Investment Bank and the European Investment Fund
- Regulators
- Industry Analysts
- Governance bodies including proxy advisors

The Board is aware that when considering potential decisions, there may be other stakeholders not included in the key stakeholder list above whose interests may be relevant and the Company will engage with and consider such stakeholders' views in its deliberations as necessary.

Engagement with those stakeholders that the Company shares with IP Group plc, are carried out by IP Group plc on behalf of its wider group ("Group"). Details of these engagements with stakeholders, examples of stakeholder engagement in action and how stakeholder views are reported to the Board and influence its agenda are set out in the annual report of IP Group plc to 31 December 2019 which can be found at https://www.ipgroupplc.com/investor-relations/reports-and-presentations/2019.

Consideration of long-term consequences in decision-making
The long-term strategy of IP Group plc and the wider Group is to develop and support intellectual property-based businesses that will have a positive impact on the environment and society into robust businesses, from concept to maturity, with the aim of delivering attractive financial returns for the Group. The Company adopted the strategy of IP Group plc for 2019 without amendment.
The Group considers environmental, social and governance (ESG) factors at both Group level and across its portfolio and investment approach. Further details can be found in the annual report of IP Group plc to 31 December 2019 on pages 50 to 53.
The Company also plays a role as a 'responsible steward' to its portfolio companies. This includes setting expectations of high levels of corporate governance, taking up director positions on the boards of the Company's focus companies to ensure robust corporate governance processes are in place, facilitating introductions to external advisors and sharing any best practice or helpful tips on new legislation.

Culture
The Company's strategy has an inbuilt focus on long-term investment and its core purpose, to evolve great ideas into world-changing businesses, requires strong engagement with portfolio companies. The Company prides itself on its high standards of business conduct and expects that its portfolio companies, co-investors and suppliers hold the same high standards when conducting their respective businesses.

Training
All of the directors of the Company are also directors of IP Group plc. During 2019, the Board of IP Group plc received training on the s172 requirements, and all directors have therefore received training on their director duties.

STATEMENT BYT THE DIRECTORS IN PERFORMANCE OF THEIR DUTIES IN ACCORDANCE WITH s172(1) COMPANIES ACT 2006 (continued)

Board's decision-making
The Board considers s172 factors in all of its decisions and once a decision has been made, the decision is documented in the Board minutes and the Board feeds back to the relevant stakeholders as appropriate as part of its continued meaningful stakeholder engagement process. Where appropriate and being mindful or legislative obligations, together with confidentiality, the Board (via IP Group plc) seeks feedback from stakeholders prior to a decision being implemented. The Board then documents its decision-making process for its principal decisions in its s172 statement.
The Board meets once per quarter to formally adopt the strategy of IP Group plc and will hold additional meetings as required to debate and agree any principal decisions.

Principal Decisions
Detailed in the case study below is an overview of the relevant stakeholder interests which were considered by the Board when it took the decisions to dispose of certain assets.

Disposal of certain assets
The Board debated the disposal or partial disposal of certain investments in portfolio companies, including certain strategic assets for which the Board of IP Group plc has direct oversight. In relation to decisions regarding disposals, the Board considered the following factors to be relevant:

- *IP Group plc as sole shareholder, the shareholders of IP Group plc and consideration of long-term effects of the decision and link with Group's strategy:* Alongside the specific stakeholder interests, the Directors considered any long-term effects of the relevant disposal and how this linked to the Group's strategy. One consideration was how these assets fit in with the Group's ESG policy and ethical framework whilst noting that a key part of the Group's strategy is to return financial value from its investee companies to shareholders and a disposal would meet this aim.

  The Directors considered how a short-term decision to sell an asset and achieve a financial return linked into the strategy to create long-term value for its shareholders. In certain circumstances, the Directors concluded that a partial disposal was the most appropriate action, achieving a financial return and strengthening the Group's cash position whilst allowing the Group to retain a significant shareholding (by size and value) in the company to further grow in value over the longer term.

- *Portfolio companies*: As any disposal decision relates to a sale of the Group's shares in another company, the interests of the underlying company are highly relevant and need to be considered. The Directors considered in each case whether the disposal of the investment could be beneficial to the company, for example by allowing new investors to be introduced to the portfolio company, or whether it may have a possible negative effect, perhaps due to the perception in the market of the Group selling its shares. Engagement with the portfolio company would most typically take place by a direct communication prior to the decision taking place. In relation to the partial disposal of shares in Ceres Power, the Group was able to support the strategic transaction to facilitate Bosch's increased holding in the company which the directors believed was in the interests of Ceres Power and all of its stakeholders.

- *Co-investors*: The Directors also considered the interests of any co-investors invested in the relevant portfolio company. Depending on the portfolio company in question, a disposal may be beneficial for co-investors, for example, giving them the opportunity to increase their own shareholdings in the company or conversely co-investors may be concerned about the wider perception as a result of the Group's sale of shares.

- *Employees*: When considering disposals, the Directors considered the impact on its employees generally and in particular any employees who may be working with the asset being discussed or acting as a director of such company. In addition, the impact on any other internal teams providing services to portfolio companies (such as IP Capital) were considered. To understand the views of employees, where appropriate, the directors sought feedback via IP Connect or otherwise liaised directly with specific employees.

Consideration of any conflicts
When making decisions, the directors were aware of the duty to act fairly between members of the company. This was relevant in particular where a shareholder of the Group was also a shareholder in the portfolio company or otherwise had an interest in the disposal. Any Director who had or may have a conflict declared this conflict, and if necessary, was excluded from the decision-making process.
Feedback:
Once the Board had agreed to dispose of certain of its shares in an asset, direct feedback was delivered to the portfolio company, employees and any co-investors.

STATEMENT BYT THE DIRECTORS IN PERFORMANCE OF THEIR DUTIES IN ACCORDANCE WITH s172(1) COMPANIES ACT 2006 (continued)

Capital Allocation and Dividend Policy
The Board seeks to ensure that the Company has sufficient capital to optimally pursue its long-term strategic aims. Please refer to the annual report of IP Group plc to 31 December 2019 for further details of the Group's long-term strategic aims and capital allocation. The Company does not currently pay a dividend.

ON BEHALF OF THE BOARD:

G Smith - Director

7 July 2020

IP2IPO Limited (Registered number: 04072979)

Report of the Directors
for the Year Ended 31 December 2019

The directors present their report with the financial statements of the company for the year ended 31 December 2019.

BUSINESS REVIEW AND FUTURE DEVELOPMENTS
The Directors' report should be read in conjunction with the Strategic report on page 2 (which is incorporated in this Directors' report by reference), which together, include information about the Company's business, its financial performance during the year, and developments in the future.

EVENTS SINCE THE END OF THE YEAR
As per note 23, at present the Directors do not envisage the Covid-19 pandemic will result in a significant adverse impact for the Company, however given that the outcome of the Covid-19 pandemic is uncertain we acknowledge that a definitive assessment of its impact cannot be made at this time.

DIVIDENDS
No dividends will be distributed for the year ended 31 December 2019 (year ended 31 December 2018: £nil).

DIRECTORS
The directors shown below have held office during the whole of the period from 1 January 2019 to the date of this report.

A J Aubrey
D G Baynes
G Smith
M C N Townend

POLITICAL AND CHARITABLE CONTRIBUTIONS
During 2019 the Company made no political donations (2018: £nil) and charitable donations of £33,559 (2018: £33,333).

PAYMENT OF CREDITORS
It is the Company's current policy to establish payment terms with suppliers when agreeing terms of supply, to ensure that suppliers are made aware of the terms of payment, and to adhere to those terms. The Company's average creditor payment period at 31 December 2019 was 21 days (2018: 49 days).

GOING CONCERN
The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds to meet its liabilities as they fall due for that period.

Those forecasts are dependent on the company's ultimate parent company, IP Group plc not seeking repayment of the amounts currently due to the company, which at 31 December 2019 amounted to £622,931,928. IP Group plc has indicated that it does not intend to seek repayment of these amounts for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS
So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

AUDITORS
The auditor KPMG LLP is deemed to have been re-appointed in accordance with section 487 of the Companies Act 2006.

ON BEHALF OF THE BOARD:

G Smith - Director

7 July 2020

IP2IPO Limited (Registered number: 04072979)

Statement of Directors' Responsibilities
for the Year Ended 31 December 2019

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), 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 company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the 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 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 company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the 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 company and to prevent and detect fraud and other irregularities.

Report of the Independent Auditors to the Members of
IP2IPO Limited (Registered number: 04072979)

Opinion
We have audited the financial statements of IP2IPO Limited ("the company") for the year ended 31 December 2019 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- 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 have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern
The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its 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 are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

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 absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Strategic report and directors' report
The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report 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 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.

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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements 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.

Directors' responsibilities
As explained more fully in their statement set out on page 5, the directors are responsible for: the preparation of the financial statements and for 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 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 company or to cease operations, or have no realistic alternative but to do so.

Report of the Independent Auditors to the Members of
IP2IPO Limited (Registered number: 04072979)

Auditors' 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 purpose of our audit work and to whom we owe our responsibilities
This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Mark Noonan

Mark Noonan (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

7 July 2020

IP2IPO Limited (Registered number: 04072979)

Statement of Comprehensive Income
for the Year Ended 31 December 2019

	Notes	2019 £'000	2018 £'000
TURNOVER	3	**1,015**	715
Administrative expenses	8	**(20,421)**	(21,432)
		(19,406)	(20,717)
Change in fair value of investments	13	**11,278**	(58,423)
OPERATING LOSS		**(8,128)**	(79,140)
(Loss)/profit on disposal of investments in spin-out companies	5	**(617)**	61
		(8,745)	(79,079)
Income from shares in group undertakings		**-**	3,880
Gain on release of loan obligation	5	**30,301**	5,487
Interest receivable and similar income	6	**842**	799
		22,398	(68,913)
Interest payable	7	**(93)**	-
PROFIT/(LOSS) BEFORE TAXATION	8	**22,305**	(68,913)
Tax on profit	10	**(1,126)**	-
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		**21,179**	(68,913)
OTHER COMPREHENSIVE INCOME / (LOSS)		**-**	-
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR		**21,179**	(68,913)

The notes on pages 13 to 27 form part of these financial statements

IP2IPO Limited (Registered number: 04072979)

Balance Sheet
31 December 2019

		2019		2018 As restated*	
	Notes	**£'000**	**£'000**	**£'000**	**£'000**
FIXED ASSETS					
Intangible assets	11		**2**		38
Tangible assets	12		**891**		1,141
Investments	13		**682,162**		689,764
			683,055		690,943
CURRENT ASSETS					
Debtors: amounts falling due within one year	14	**24,432**		711	
Debtors: amounts falling due after more than one year	14	**62,660**		56,601	
Deposits	15	**62,000**		90,000	
Cash at bank and in hand		**30,151**		32,015	
		179,243		179,327	
CREDITORS					
Amounts falling due within one year	16	**661,928**		695,287	
NET CURRENT LIABILITIES			**(482,685)**		(515,960)
TOTAL ASSETS LESS CURRENT LIABILITIES			**200,370**		174,983
CREDITORS					
Amounts falling due after more than one year	17		**3,879**		1,091
NET ASSETS			**196,491**		173,892
CAPITAL AND RESERVES					
Called up share capital	19		**40**		40
Share premium			**3,960**		3,960
Retained earnings			**192,491**		169,892
SHAREHOLDERS' FUNDS			**196,491**		173,892

* Please refer to note 16 for details of the restatement

The financial statements were approved by the Board of Directors on 7 July 2020 and were signed on its behalf by:

G Smith - Director

The notes on pages 13 to 27 form part of these financial statements

IP2IPO Limited (Registered number: 04072979)

Statement of Changes in Equity
for the Year Ended 31 December 2019

	Called up share capital £'000	Retained earnings £'000	Share premium £'000	Total equity £'000
Balance at 1 January 2018	40	238,643	3,960	242,643
Changes in equity				
Capital contribution	-	(1,360)	-	(1,360)
Total comprehensive income	-	(68,913)	-	(68,913)
Share-based payment charge	-	1,522	-	1,522
Balance at 31 December 2018	40	169,892	3,960	173,892
Changes in equity				
Total comprehensive income	-	21,179	-	21,179
Share-based payment charge	-	1,420	-	1,420
Balance at 31 December 2019	40	192,491	3,960	196,491

The notes on pages 13 to 27 form part of these financial statements

1. STATUTORY INFORMATION

IP2IPO Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

The Company was setup to commercialise intellectual property via long-term partnerships with universities. The Company continues to create spin-out companies from its partner, and occasionally non-partner, universities and to provide business support and development services to such spin-out companies.

2. ACCOUNTING POLICIES

Basis of preparation
The Financial Statements of IP2IPO Limited (the "Company") are for the year ended 31 December 2019. The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated. These financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures: a Cash Flow Statement and related notes; disclosures in respect of transactions with wholly owned subsidiaries; disclosures in respect of capital management; the effects of new but not yet effective IFRSs. The Company has also applied the exemption from the requirements of IFRS 7 Financial Instruments: Disclosures, the equivalent disclosures are included in the IP Group plc consolidated financial statements.

Changes in accounting policies
(i) New standards, interpretations and amendments effective from 1 January 2019
The following new standards have been applied in these financial statements:

IFRS 16 Leases
IFRS 16 Leases was issued on 13 January 2016 and replaces IAS 17 Leases. IFRS 16 requires all operating leases in excess of one year, where the Group is the lessee, to be included on the Group's statement of financial position, and recognised as a right-of-use ("ROU") asset and a related lease liability representing the obligation to make lease payments. The ROU asset will be amortised on a straight-line basis with the lease liability being amortised using the effective interest method. Optional exemptions are available under IFRS 16 for shortterm leases (lease terms less than 12 months) and for small-value leases.

The Group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17. The details of accounting policies under IAS 17 are disclosed separately if they are different from those under IFRS 16 and the impact of changes is disclosed in note 18.

(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.

Going concern
The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds to meet its liabilities as they fall due for that period.

Those forecasts are dependent on the company's ultimate parent company, IP Group plc not seeking repayment of the amounts currently due to the company, which at 31 December 2019 amounted to £622,931,928. IP Group plc has indicated that it does not intend to seek repayment of these amounts for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

continued...

2. **ACCOUNTING POLICIES - continued**

Portfolio return and revenue

Change in fair value

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

Revenue from services and other income

All revenue from services is generated primarily from within the United Kingdom and is stated exclusive of value added tax, with further revenue generated in the Group's Australian and US operations. Revenue is recognised when the Company satisfies its performance obligations, in line with IFRS 15. Revenue from services and other income comprises:

Advisory fees

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

Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets and allocated from the acquisition date to each of the Company's cash-generating units ("CGUs") that are expected to benefit from the business combination. Goodwill may be allocated to CGUs in both the acquired business and in the existing business.

Other intangible assets

Other intangible assets represent contractual arrangements and memorandums of understanding with UK universities acquired through acquisition of subsidiaries. At the date of acquisition, the cost of these intangibles as a share of the larger acquisition was calculated and subsequently the assets are held at amortised cost.

Impairment of intangible assets (including goodwill)

Goodwill is not subject to amortisation but is tested for impairment annually and whenever events or circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are tested for impairment when events or a change in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and the value in use. For the purposes of assessing impairments, assets are grouped at the lowest levels for which there are identifiable cash flows (i.e. CGUs).

Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:
Fixtures, fittings and equipment: Over 3 to 5 years
Computer equipment: Over 3 to 5 years

Debtors

Debtors are measured at transaction price, less any impairment. Debtors falling due within one year are amounts which are expected to be recovered within the next 12 months. Debtors falling due after more than one year are amounts which are not expected to be recovered within the next 12 months, however these amounts are still treated as current assets.

Creditors

Trade creditors are measured at the transaction price. Other financial liabilities are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method. Creditors falling due within one year are amounts which are required to be settled within the next 12 months. Creditors falling due after more than one year are amounts which are not required to be settled within the next 12 months.

Administrative expenses

Administrative expenses include employees' and directors' remuneration, legal and professional fees and other overhead costs.

Gain/loss on release of loan obligation

Gains and losses on release of loan obligation refer to intra-group balances for which each of the parties have agreed to release the other parties under the terms of a deed of release.

continued...

2. **ACCOUNTING POLICIES - continued**

Equity investments
Fair value is the underlying principle and is defined as "the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date" (IPEV guidelines, December 2018).

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

Valuation techniques used
The fair value of unlisted securities is established using appropriate valuation techniques in line with IPEV guidelines. 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 Company selects valuation techniques which make maximum use of market-based inputs. Techniques are applied consistently from period to period, except where a change would result in better estimates of Fair Value. Multiple valuation techniques may be used so that the results of one technique may be used as a cross check/corroboration of an alternative technique.

Valuation techniques used include:
- Quoted investments: the fair values of quoted investments are based on bid prices in an active market at the reporting date.
- Milestone approach: an assessment is made as to whether there is an indication of change in Fair Value based on a consideration of the relevant milestones typically agreed at the time of making the investment decision.
- Scenario analysis: a forward-looking method that considers one or more possible future scenarios. These methods include simplified scenario analysis and relative value scenario analysis, which tie to the fully diluted ("post-money") equity value, as well as full scenario analysis vie the use of the probability-weighted expected return method (PWERM).
- Current value method: the estimation and allocation of the equity value to the various equity interests in a business as though the business were to be sold on the Measurement Date.
- Discounted cash flows: deriving the value of a business by calculating the present value of expected future cash flows.
- Multiples: the application of an appropriate multiple to a performance measure (such as earnings or revenue) of the Investee Company in order to derive a value for the business.

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

Price of recent investment as an input in assessing Fair Value
The Company 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 Company'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 Company 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 Company 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 Company reduces the carrying value of the investment to reflect the estimated decrease. If there is evidence of value creation the Company 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.

continued...

2. **ACCOUNTING POLICIES - continued**

Debt investments

Debt investments are generally unquoted debt instruments which are convertible to equity at a future point in time. Such instruments are considered to be hybrid instruments containing a fixed rate debt host contract with an embedded equity derivative. The Company 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.

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.

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.

Taxation

Current taxes are based on the results shown in the financial statements and are calculated according to local tax rules, using tax rates enacted or substantially enacted by the balance sheet date.

Deferred tax

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

Leases

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

Employee benefits

(i) Pension obligations

The Company 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 Company in independently administered funds. The Company currently makes contributions on behalf of employees to this scheme or to employee personal pension schemes on an individual basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due.

(ii) Share-based payments

The Company 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 Company'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.

Related party transactions

In accordance with IAS 24 "Related Parties Disclosures", the Company discloses details of material transactions between the reporting entity and related parties. However, transactions between the Company and other Group companies have not been disclosed in accordance with the exemption in IAS 24 paragraph 16.

continued...

3. TURNOVER

The total turnover of the Company for the period has been derived from the provision of business support and advisory services wholly undertaken in the United Kingdom.

4. EMPLOYEES AND DIRECTORS

	2019	2018
	£'000	£'000
Wages and salaries	8,847	8,764
Social security costs	1,073	1,188
Share based payment charge	1,601	1,522
Other pension costs	665	704
	12,186	12,178

The average number of employees during the year was as follows:

	2019	2018
Management and administration	87	88

The aggregate emoluments of the directors of the Company are shown below. The remuneration of the highest paid director was £462k (2018: £378k) and company pension contributions of £36k (2018: £35k) were made to a money purchase scheme on his behalf.

	2019	2018
	£'000	£'000
Remuneration in respect of directors:		
Directors' remuneration	1,565	1,369
Pension	114	112
	1,679	1,481

Pension includes payments made to defined contribution schemes on behalf of the directors or the value of a cash equivalent, if applicable.

5. EXCEPTIONAL ITEMS

	2019	2018
	£'000	£'000
Gain on release of loan obligation	31,473	5,487
Loss on release of loan obligation	(1,172)	-
	30,301	5,487

Gain on release of loan obligation relates to amounts owed to Fusion IP Sheffield Limited and Fusion IP Cardiff Limited.

Loss on release of loan obligation relates to amounts owed by IP2IPO FI Limited.

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	2019	2018
	£'000	£'000
Deposit account interest	842	799

7. INTEREST PAYABLE AND SIMILAR EXPENSES

	2019	2018
	£'000	£'000
Interest on lease liabilities	93	-

continued...

8. PROFIT/(LOSS) BEFORE TAXATION

The profit before taxation (2018 - loss before taxation) is stated after charging/(crediting):

	2019 £'000	2018 £'000
Hire of plant and machinery	18	17
Other operating leases	-	607
Depreciation - operating lease asset	675	-
Depreciation - owned assets	258	389
Computer software amortisation	36	28
Foreign exchange differences	354	132

9. AUDITORS' REMUNERATION

	2019 £'000	2018 £'000
Fees payable to the Company's auditors for the audit of the Company's financial statements	13	5

10. TAXATION

Analysis of tax expense

	2019 £'000	2018 £'000
Current tax:		
Tax	1,126	-
Total tax expense in statement of comprehensive income	1,126	-

Factors affecting the tax expense
The tax assessed for the year is lower (2018 - higher) than the standard rate of corporation tax in the UK. The difference is explained below:

	2019 £'000	2018 £'000
Profit/(loss) before tax	22,305	(68,913)
Profit/(loss) multiplied by the standard rate of corporation tax in the UK of 19% (2018 - 19%)	4,238	(13,093)
Effects of:		
Expenses not deductible for tax purposes	1,164	12,239
Income not taxable for tax purposes	(8,587)	(2,492)
Group relief surrendered	-	379
Deferred tax not recognised	2,460	2,719
Permanent difference on share options exercised in the year	368	248
Adjustments to tax charge in respect of previous periods	1,483	-
Tax expense	1,126	-

There is a potential deferred tax asset at 31 December 2019 of £23,915k (2018: £20,922k), in respect of short term timing differences of £4,518k (2018: £4,330k), losses of £118,078k (2018: £105,410k), capital losses of £18,075k (2018: £13,419k) and fixed asset timing differences of £2k (2018: negative £88k). This asset has not been recognised in the financial statements due to current uncertainties surrounding the reversal of the underlying timing differences. The deferred tax asset would be recovered if there were future taxable profits from which the reversal of the underlying timing differences could be deducted.

Factors which may affect future tax charges
In the March 2020 budget the government announced that the UK corporation tax rate would remain at 19% from 1 April 2020 rather than reducing to 17% as implemented in Finance Act 2016. This change was substantively enacted in March 2020.

continued...

11. INTANGIBLE FIXED ASSETS

	Goodwill £'000	Computer software £'000	Totals £'000
Cost			
At 1 January 2019	5	71	76
Disposals	-	(13)	(13)
Reclassification/transfer	(5)	-	(5)
At 31 December 2019	-	58	58
Amortisation			
At 1 January 2019	-	38	38
Amortisation for year	-	36	36
Eliminated on disposal	-	(13)	(13)
Reclassification/transfer	-	(5)	(5)
At 31 December 2019	-	56	56
Net book value			
At 31 December 2019	-	2	2
At 31 December 2018	5	33	38

12. TANGIBLE FIXED ASSETS

	Fixtures and fittings £'000	Computer equipment £'000	Totals £'000
Cost			
At 1 January 2019	1,605	996	2,601
Additions	-	8	8
Disposals	(384)	(636)	(1,020)
At 31 December 2019	1,221	368	1,589
Depreciation			
At 1 January 2019	682	778	1,460
Charge for year	160	98	258
Eliminated on disposal	(384)	(636)	(1,020)
At 31 December 2019	458	240	698
Net book value			
At 31 December 2019	763	128	891
At 31 December 2018	923	218	1,141

continued...

13. INVESTMENTS

	Shares in group undertakings £'000	Limited participation interests £'000	Equity investments in quoted spin out companies £'000
Cost or valuation			
At 1 January 2019	464	206,702	55,116
Additions	-	47,907	650
Disposals	-	-	(2,365)
Distributions from Limited Partnerships	-	(833)	-
Change in fair value during the year	-	8,325	(28,052)
At 31 December 2019	464	262,101	25,349
Net book value			
At 31 December 2019	464	262,101	25,349
At 31 December 2018	464	206,702	55,116

	Equity investments in unquoted spin out £'000	Unquoted debt investments in spin out £'000	Totals £'000
Cost or valuation			
At 1 January 2019	420,874	6,608	689,764
Additions	423	238	49,218
Disposals	(64,724)	(176)	(67,265)
Distributions from Limited Partnerships	-	-	(833)
Change in fair value during the year	34,621	(3,616)	11,278
Transaction-based reclassifications during the year	1,133	(1,133)	-
At 31 December 2019	392,327	1,921	682,162
Net book value			
At 31 December 2019	392,327	1,921	682,162
At 31 December 2018	420,874	6,608	689,764

continued...

IP2IPO Limited (Registered number: 04072979)

Notes to the Financial Statements - continued
for the Year Ended 31 December 2019

13. INVESTMENTS - continued

Significant equity investments
At 31 December 2019, the Company has investments where it holds 20% or more of the issued share capital in the following companies:

Name of undertaking	Registered address	Proportion of nominal value held % (note 1)
Absynth Biologics Limited	Biohub at Alderley Park, Macclesfield, Cheshire, SK10 4TG	54.9%
A Ordinary shares		37.4%
B Ordinary shares		100.0%
Ordinary shares		43.3%
Actual Experience plc	Quay House, The Ambury, Bath, Somerset, BA1 1UA	21.0%
Alesi Surgical Limited	Cardiff Medicentre, Heath Park, Cardiff, CF14 4UJ	41.0%
B shares		100.0%
Ordinary shares		57.0%
Preferred B shares		9.7%
Preferred Ordinary shares		40.3%
Amaethon Limited	Heslington Hall, Heslington, York, YO10 5DD	27.5%
A Ordinary shares		52.9%
B Ordinary shares		27.6%
Ordinary shares		0.0%
Art of Xen Limited	NHS Liaison Unit 4th Floor Mckenzie House 30-36 Newport Road, Cardiff, CF24 0DE	99.8%
A Preference shares		100.0%
B Preference shares		100.0%
Asterion Limited	The Innovation Centre, 217 Portobello, Sheffield, England, S1 4DP	66.8%
Boxarr Limited	65 London Road, St Albans, Hertfordshire, AL1 1LJ	45.4%
Capsant NeurotechnologiesLtd	The Walbrook Building, 25 Walbrook, London, EC4N 8AF	50.0%
C-Capture Limited	Leeds Innovation Centre, 103 Clarendon Road, Leeds, LS2 9DF	32.1%
A Preference shares		31.3%
Ordinary shares		36.7%
Crysalin Limited	The Walbrook Buliding, 25 Walbrook, London, England, EC4N 8AF	28.5%
A shares		0.0%
Ordinary shares		30.6%
Diurnal Group plc	Cardiff Medicentre, Heath Park, Cardiff, CF14 4UJ	31.2%
Emdot Limited	The Walbrook Buliding, 25 Walbrook, London, EC4N 8AF	28.6%
I2L Research Limited	Capital Business Park, Wentloog, Cardiff, CF3 2PX	31.0%
A Ordinary shares		84.0%
B Ordinary shares		13.3%
Iksuda Therapeutics Limited	The Biosphere Draymans Way, Newcastle Helix, Newcastle Up	55.1%
A Ordinary share		50.0%
Ordinary shares		56.5%
Istesso Limited	The Walbrook Buliding, 25 Walbrook, London, EC4N 8AF	54.2%
A shares		75.6%
Ordinary shares		38.8%

continued...

13. INVESTMENTS - continued

Magnomatics Limited	Park House, Bernard Road, Sheffield, S2 5BQ	47.6%
A shares		39.1%
B shares		100.0%
C Ordinary shares		70.0%
Ordinary shares		24.8%
Perachem Holdings plc	55 Drury Lane, London, WC2B 5RZ	46.2%
Perpetuum Limited	2 Venture Road, Southampton Science Park, Chilworth, Southampton, SO16 7NP	20.0%
Ordinary shares		33.1%
Series B shares		13.4%
Series C shares		27.0%
PH Therapeutics Limited	The Innovation Centre, 217 Portobello, Sheffield, England, S1 4DP	60.0%
Seren Photonics Limited	37b Uk Technology Centre Pencoed Technology Park, Pencoed, Bridgend, Mid Glamorgan, CF35 5HZ	26.8%
A Ordinary shares		49.1%

Note 1: All holdings are via ordinary shares unless separate classes are specified in the table.

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

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

The Company's significant equity investments qualify as an associate investments; however, as permitted under IAS 28, the Company elects to hold such investments at fair value through profit and loss in accordance with IFRS 9,

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

14. DEBTORS

	2019 £'000	2018 £'000
Amounts falling due within one year:		
Trade debtors	310	271
Operating lease asset	1,374	-
Other debtors	236	291
Receivable on sale of debt and equity investments	22,093	-
Prepayments and accrued income	419	149
	24,432	711
Amounts falling due after more than one year:		
Amounts owed by group undertakings	62,660	56,601
Aggregate amounts	87,092	57,312

Amounts receivable on sale of debt and equity investments relates to £22.0m receivable in respect of shares in Oxford Nanopore Technology Limited sold on 31 December 2019 and for which payment was received in February 2020.

15. CURRENT ASSET INVESTMENTS

	2019 £'000	2018 £'000
Deposits	62,000	90,000

Deposits comprise longer-term deposits held with financial institutions with an original maturity of greater than three months.

continued...

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019	2018
		As restated
	£'000	£'000
Hire purchase contracts (see note 18)	689	-
Trade creditors	262	778
Amounts owed to group undertakings	657,568	692,206
Tax – group relief	1,126	-
Social security and other taxes	332	497
Other creditors	175	214
Accruals and deferred income	1,776	1,592
	661,928	695,287

In the current period it was identified that an amount owed to a group undertaking, which was classified, in the prior period, as a non-current liability was repayable on demand and therefore should have been classified as a current liability. As such this amount of £692,206,000 has been reclassified from non-current liabilities to current liabilities in the balance sheet. This has no effect on the net asset position or the loss for the year.

17. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2019	2018
		As restated*
	£'000	£'000
Hire purchase contracts (see note 18)	690	-
Long Term Incentive Carry Scheme Accrual	3,189	1,091
	3,879	1,091

* Please refer to note 16 for details of the restatement

18. LEASING AGREEMENTS

Minimum lease payments under operating lease commitments fall due as follows:

	2019	2018
	£'000	£'000
Net obligations repayable:		
Within one year	689	-
Between one and two years	682	-
Between two and three years	8	-
	1,379	-

The recognition of operating lease commitments is due to the adoption of IFRS 16 on 1 January 2019 and relates to office premises leases for which the Company is a lessee.

19. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2019 £'000	2018 £'000
40,100	Ordinary	£1	40	40

continued...

20. CAPITAL COMMITMENTS

As at 31 December 2019, the entity had outstanding commitments of £1.6m (2018: £2.5m), representing the unfunded commitments to the underlying investment."

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 2019:

Partnership	Year of commencement of partnership	Original commitment £'m	Called to date £'m	Remaining commitment £'m
IP Venture Fund	2006	3.1	3.1	-
IP Venture Fund II L.P.	2013	10.0	8.4	1.6
		13.1	11.5	1.6

As at 31 December 2018:

Partnership	Year of commencement of partnership	Original commitment £'m	Invested to date £'m	Remaining commitment £'m
IP Venture Fund	2006	3.1	3.0	0.1
IP Venture Fund II L.P.	2013	10.0	7.6	2.4
		13.1	10.6	2.5

continued...

21. RELATED PARTY DISCLOSURES

The Directors who held office at 31 December 2019 had beneficial shareholdings in the following spin-out companies as at 31 December 2019:

Director	Company name	Number of shares held at 1 January 2019	Number of shares acquired/ (disposed in) the period	Number of shares held at 31 December 2019	%
Alan Aubrey	Alesi Surgical Limited	18	-	18	0.1%
	Amaethon Limited - A shares	104	-	104	3.1%
	Amaethon Limited - B shares	11,966	-	11,966	1.0%
	Amaethon Limited - Ordinary shares	21	-	21	0.3%
	Avacta Group plc	191,334	-	191,334	<0.1%
	Boxarr Limited	1,732	-	1,732	0.2%
	Capsant Neurotechnologies Ltd	11,631	-	11,631	0.8%
	Crysalin Limited	1,447	-	1,447	0.1%
	Ditto AI Limited - Ordinary shares	72,092,028	1,025,820,000	1,097,912,028	12.4%
	Ditto AI Limited - B shares	98,876,568	-	98,876,568	1.1%
	Diurnal Group plc	15,000	-	15,000	<0.1%
	Emdot Limited	15	-	15	0.9%
	hVivo plc	37,160	-	37,160	<0.1%
	Istesso Limited	1,185,150	-	1,185,150	1.1%
	Itaconix plc	88,890	-	88,890	<0.1%
	Karus Therapeutics Limited	223	-	223	<0.1%
	Oxford Advanced Surfaces Ltd	1	-	1	<0.1%
	Oxford Nanopore Technologies Ltd	101,208	(8,483)	92,725	0.3%
	Perachem Holdings plc	108,350	-	108,350	0.3%
	Salunda Limited	53,639	-	53,639	<0.1%
	Structure Vision Limited	212	(212)	-	0%
	Surrey Nanosystems Limited	453	-	453	0.2%
	Tissue Regenix Group plc	2,389,259	-	2,389,259	0.2%
	Xeros Technology Group plc	22,847	-	22,847	<0.1%
Mike Townend	Amaethon Limited - A shares	104	-	104	3.1%
	Amaethon Limited - B shares	11,966	-	11,966	1.0%
	Amaethon Limited - Ordinary shares	21	-	21	0.3%
	Avacta Group plc	20,001	-	20,001	<0.1%
	Capsant Neurotechnologies Ltd	11,282	-	11,282	0.8%
	Crysalin Limited	1,286	-	1,286	0.1%
	Ditto AI Limited	613,048	-	613,048	<0.1%
	Diurnal Group plc	15,000	-	15,000	<0.1%
	Emdot Limited	14	-	14	0.8%
	Istesso Limited	1,185,150	-	1,185,150	1.1%
	Itaconix plc	64,940	-	64,940	<0.1%
	Oxford Advanced Surfaces Ltd	1	-	1	<0.1%
	Oxford Nanopore Technologies Ltd	30,967	(2,316)	28,651	<0.1%
	Perachem Holdings plc	113,222	-	113,222	0.3%
	Structure Vision Limited	212	(212)	-	0%
	Surrey Nanosystems Ltd	404	-	404	0.2%
	Tissue Regenix Group plc	1,950,862	-	1,950,862	0.2%
	Xeros Technology Group plc	35,499	-	35,499	<0.1%
Greg Smith	Alesi Surgical Limited	2	-	2	<0.1%
	Avacta Group plc	3,904	-	3,904	<0.1%
	Capsant Neurotechnologies Ltd	896	-	896	<0.1%
	Crysalin Limited	149	-	149	<0.1%
	Ditto AI Limited	144,248	-	144,248	<0.1%
	Diurnal Group plc	15,000	-	15,000	<0.1%

continued...

	Emdot Limited	4	-	4	0.2%
	hVivo plc	61,340	-	61,340	<0.1%
	Istesso Limited	313,425	-	313,425	0.3%
	Itaconix plc	4,500	-	4,500	<0.1%
	Oxford Nanopore Technologies Ltd	1,581	(44)	1,537	<0.1%
	Perachem Holdings plc	4,830	-	4,830	<0.1%
	Surrey Nanosystems Limited	88	-	88	<0.1%
	Tissue Regenix Group plc	50,000	-	50,000	<0.1%
	Xeros Technology Group plc	1,392	-	1,392	<0.1%
David Baynes	Alesi Surgical Limited	4	-	4	<0.1%
	Diurnal Group plc	73,000	-	73,000	<0.1%
	Oxford Nanopore Technologies Ltd	174	-	174	<0.1%

22. SHARE-BASED PAYMENT TRANSACTIONS

In 2019, the Group continued to incentivise employees through its LTIP and AIS. Both are described in more detail in the Directors' Remuneration Report on pages 83 to 101 of the IP Group plc 2019 Annual Report.

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

As the 2019 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 2019.

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 83 to 101 of the IP Group plc 2019 Annual Report.

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

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

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22. SHARE-BASED PAYMENT TRANSACTIONS - continued

The 2017 LTIP awards were made on 29 August 2017. The awards will ordinarily vest on 31 March 2020, to the extent that the performance conditions have been met. The awards are based on the performance of the Group's Hard NAV and Total Shareholder Return ("TSR"). Both performance measures are combined into a matrix format to most appropriately measure performance relative to the business, as shown in the Directors' Remuneration Report within the Group's 2017 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 2017 LTIP matrix is designed such that up to 100% of the award (prior to the application of the underpin) will vest in full in the event of both Hard NAV increasing by 15% per year on a cumulative basis, from 1 January 2017 to 31 December 2019, and TSR increasing by 15% per year on a cumulative basis from the date of award to 31 March 2020, 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 2016 LTIP awards did not meet the threshold performance target and lapsed on 31 March 2019.

23. EVENTS AFTER THE REPORTING PERIOD

As of the reporting date, the Company has completed realisations of £55.4m during 2020 in respect of the 2019 disposal of shares in Oxford Nanopore Technologies Limited, and other disposals including in Ceres Power Holdings plc.

As of the reporting date, realised and unrealised fair value gains in respect of the Group's quoted portfolio totalled £20m, largely in respect of Ceres Power Holdings plc, which has seen a overall fair value gain of £25m since 31 December 2019.

At present, the Directors do not envisage the Covid-19 pandemic will result in a significant adverse impact for the Company, however given that the outcome of the Covid-19 pandemic is uncertain we acknowledge that a definitive assessment of its impact cannot be made at this time.

The Directors see the main potential short term impact on the financial statements of the Company as being an increased level of uncertainty over value of its investment in its portfolio companies. At the signing date of the accounts, the Directors have carried out a preliminary valuation assessment as part of the Group's half-yearly reporting process, and there is no identified material update to the fair value of the Company's portfolio subsequent to the reporting date.

24. IMMEDIATE AND ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

The immediate and ultimate parent undertaking was IP Group plc, a public limited company registered in England and Wales. The smallest and largest group into which these accounts are consolidated is IP Group plc. Copies of the ultimate parent company's financial statements may be obtained from the secretary of IP Group plc, The Walbrook Building, 25 Walbrook, London, EC4N 8AF.