



IP GROUP PLC
Annual Report
and Accounts
for the year ended
31 December 2020



THURSDAY



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03/06/2021

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COMPANIES HOUSE

Registration
Number:
04204490
Stock Code:
IPO

**20 YEARS OF EVOLVING
GREAT IDEAS INTO
WORLD-CHANGING BUSINESSES**

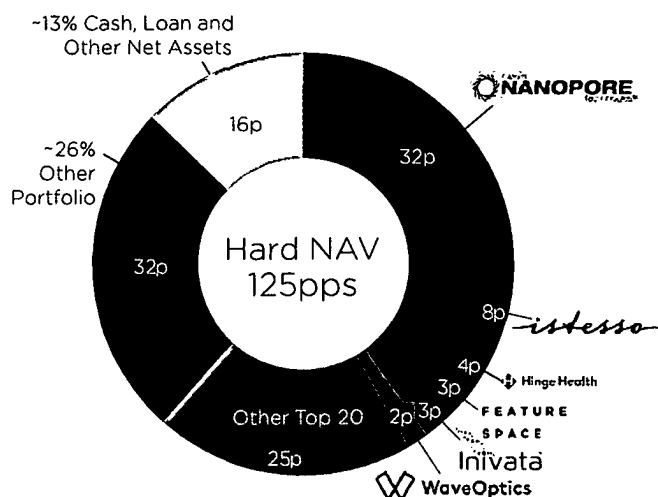
Group at a glance

IP Group's purpose is to evolve great ideas into world-changing businesses. We achieve this by systematically helping to create, build and support outstanding intellectual property-based companies.

We partner with leading research institutions in countries where leading research is produced. IP Group's vision is to create an international leader in IP commercialisation. Through our key sectors, Life Sciences, Deeptech and Cleantech, we evolve great ideas into world-changing businesses. The Group has three areas of geographic focus: the UK, the US, Australia and New Zealand



What's in a share?



Impact and engagement

£5bn+
RAISED BY PORTFOLIO
COMPANIES

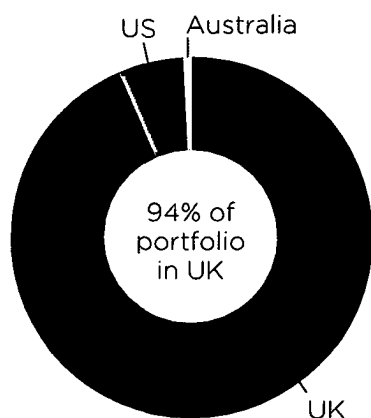
300+
COMPANIES FORMED
AND SUPPORTED

£900m+
INVESTED IN SCIENCE-
BASED BUSINESSES

£1.3bn
NET ASSET VALUE
125 PENCE PER SHARE

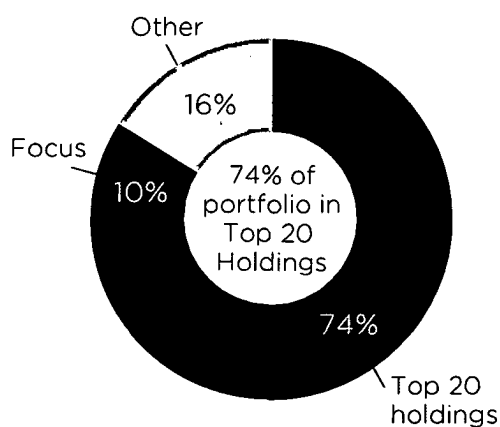
5,000+
JOBS CREATED

ALIGNED WITH
SDGs

Portfolio by geography¹

See information below

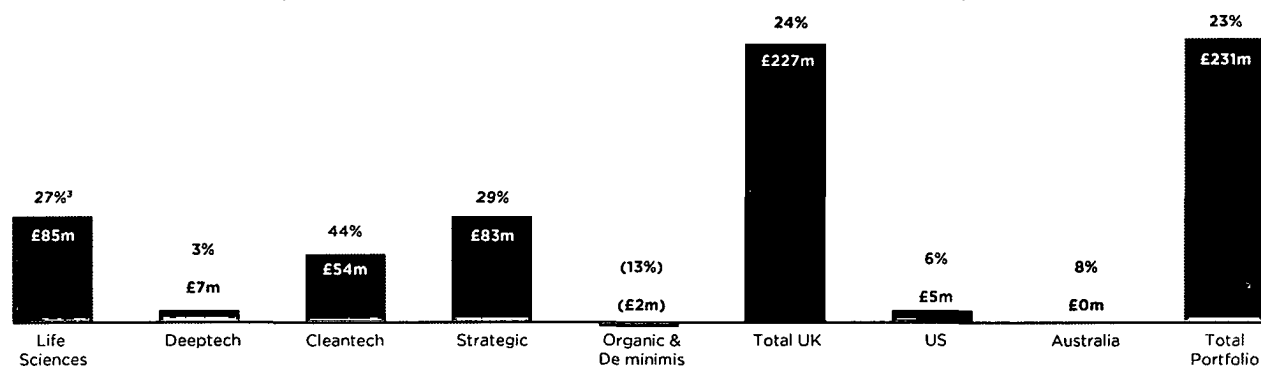
Portfolio by focus



Portfolio analysis – UK breakdown

Sector	Value of companies:	No. of portfolio companies ²	By Stage		
			Top 20	Focus	Other
Life Sciences	£392.5m	40	£250.4m	£45.1m	£97.4m
Deeptech	£212.5m	36	£139.0m	£36.8m	£36.7m
Cleantech	£58.8m	12	£35.6m	£21.7m	£1.5m
Strategic	£370.6m	4	£363.2m	–	£7.4m
Organic & de minimis	£11.9m	n/a	–	–	£11.9m
Total UK Portfolio	£1,046.3m	92	£788.2m	£103.6m	£154.5m

Portfolio performance summary³
 2020 portfolio fair value movements/return on opening portfolio

¹ Location of business unit² Excluding organic and de minimis (77 companies)³ Percentages reflect simple return on opening portfolio value



STRATEGIC REPORT

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Chairman's summary



Sir Douglas Flint
Chairman

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

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

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

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

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

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

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

Nowhere is this more evident than with respect to our largest portfolio holding, Oxford Nanopore, which is working with public health laboratories around the world on the COVID-19 pandemic. Oxford Nanopore broadened its appeal during 2020 by expanding its contribution

within the COVID-19 diagnostic testing arena through its LamPore platform. This testing approach benefits from being highly scalable and capable of being deployed in local environments as well as high throughput traditional laboratory settings, and so addresses the need for rapid routine testing of large numbers of people. LamPore is currently being rolled out globally with initial use in the UK, Germany, Switzerland and the United Arab Emirates.

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

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

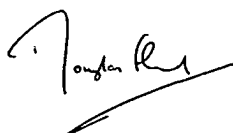
In spite of the constraints imposed by COVID-19 restrictions, the Board pursued a full agenda throughout the year with all meetings post March successfully held virtually. In addition to reviewing performance and business opportunities, the Board and its committees evaluated detailed proposals regarding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

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

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

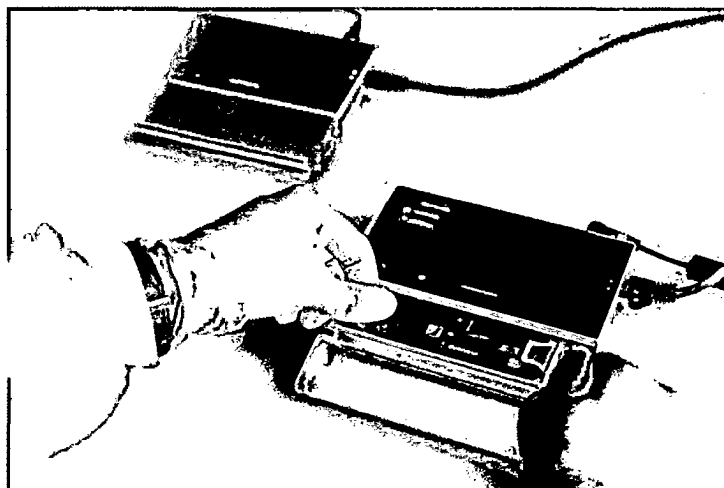
One fresh area of possible future constraint relates to the recently announced proposals for a revised national security-based review of investments in the UK as well as similar "foreign investment" regimes in the countries in which we operate. Given that the challenges our portfolio companies address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

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



Sir Douglas Flint
Chairman

9 March 2021



Oxford Nanopore: Scientist inserting a flow cell into MinION Mk1C

Market

The purpose of IP Group is to evolve great ideas into world changing businesses.

Competition

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

Secondly, the Group and our portfolio companies compete in the capital markets against other investment opportunities for the funds required to develop these great ideas into viable businesses. While the market for capital is very broad and deep, the Group's companies are typically seeking earlier stage and development risk capital, which is a much narrower sub-set of the broader capital markets. The key determining factors that impact on our ability to compete for capital are our long-term track record and the strength of our idea sourcing capability. As our portfolio matures, our ability to successfully recycle capital will become increasingly important.

Each portfolio company also faces competition in its chosen markets. Often our companies are seeking to either create a new or emerging market (for example, software for autonomous vehicles) or disrupt an existing market with a paradigm shift in technology (for example in DNA sequencing).

Market environment

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

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

Vision

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

Business model

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

About our business

Purpose: evolving great ideas into world-changing businesses

However, investors have also been looking toward sectors and companies likely to emerge stronger in a post-pandemic world. This trend has generated strong interest in companies involved in several areas, for example, the transition to net zero, the accelerated digitalisation of economies and building resilience into health systems, particularly around protection against future pathogens. The pandemic also sparked a bounce-back in the relative strength of public markets compared to private markets with companies using the markets to access capital. IP Group's quoted portfolio also benefitted from this trend with several portfolio companies carrying out placings in the year.

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

Strategy

Our strategy is to operate separate business units that focus either on a key sector or geography. Our key sectors are Life Sciences, DeepTech and Cleantech. Our key geographies are the UK, the US and Australia and New Zealand. The objective of the sector-focused business units is to leverage their sector expertise to find, invest in and support a focused portfolio of start-up companies that address critical challenges in their sectors. The objective of our country-focused business units in the UK, the US and Australia and New Zealand is to create and support university spin-out companies in their respective countries. We have a nascent China business unit whose objective is to provide market access expertise to Group portfolio companies and to access third-party capital where this is additive to our portfolio companies. We also operate a cross-country and sector fund, which is called Strategic

Opportunities. The principal asset in this fund is our holding in Oxford Nanopore. Due to its size and significance to the Group, this asset is managed directly by the Chief Executive with assistance from the leadership team. In this fund we also have some smaller holdings in companies that operate in a similar way to IP Group but focus on a specific university, such as Oxford, Cambridge or UCL. These assets give us the opportunity to invest alongside these companies in spin-outs from those universities. We also operate support functions in capital markets, legal and executive search that provide cross-fund or sector expertise in a particular aspect of business building.

IP Group's key differentiators



International, balanced portfolio:

Our combination of geographies and sectors achieves balance between diversity and focus. It diversifies the geopolitical risk that would arise from focusing on one country whilst ensuring that we have exposure to major thematic trends arising from innovation in scientific research. This balance also helps us build and maintain an international shareholder and co-investor network.



Access to intellectual capital:

We have deep and broad relationships with scientific innovators in all the countries and sectors we operate in. These networks provide us with significant opportunities to access disruptive innovative ideas.



Business building:

The Group actively supports the development of its portfolio companies through access to early-stage business-building expertise, interim executive support, technical and commercial networks and board-level recruitment and development in addition to the provision of capital. The Group also provides operational, legal, and business support to its companies.



Access to financial capital:

Investing from our balance sheet capital is a significant advantage compared to fixed life funds as it means that we are not obliged to sell assets by a specific date to liquidate the fund. This is important because our companies tend to progress in a non-linear manner and it is very difficult to judge the timing of rapid value accretion. In the UK, the Group also considers tax-advantaged Enterprise Investment Scheme ("EIS") funds to be an important source of financing for early-stage technology companies and has seen strong operating performance from its subsidiary, Parkwalk, the UK's largest EIS growth fund manager focused on university spin-outs, which links leading institutional wealth managers and university partners.



An impactful purpose:

There is a strong natural alignment between scientific research, the commercialisation of such research and impact. In recent years we have articulated this through the strength of alignment between our portfolio with the UN's SDGs. We have focused on improving our performance on broader ESG issues including establishing an independently chaired ethics committee, adhering to responsible investor principles and developing an approach to identify and measure the most important ESG factors for our business.

Business model

The Group focuses on evolving great ideas, based on scientific research mainly from universities, into world-changing businesses. We aim to address some of the world's most pressing challenges through the companies we back, allowing us to achieve a positive impact on the environment and society as well as a financial return. Over the years, we have developed a unique approach to creating, building and supporting outstanding businesses along the journey from 'cradle to maturity' to provide attractive returns for all of our stakeholders.

Q1 Capital and Resources Most Relevant to the Group

Intellectual capital

We work with the world's best scientists in our chosen territories, the UK, the US, Australia and New Zealand, and our chosen sectors, life sciences, deeptech and cleantech.

Financial capital

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

Human capital

We aim to attract and retain the best talent whether in IP Group or in our portfolio companies.

Q2 IP Group Comprises Seven Core Units, Split by Sector & Geography

UK-based sector funds

STRATEGIC OPPORTUNITIES

Multi-sector country-focused funds

We invest as well as apply our expertise and local knowledge to support and develop the companies we back.

Cross-fund resources:

Life Sciences

US

Deeptech

Australia

Cleantech

Parkwalk



ipgroup
ipcapital

Specialist corporate advisory, finance, and fund management



ipgroup
ipexec

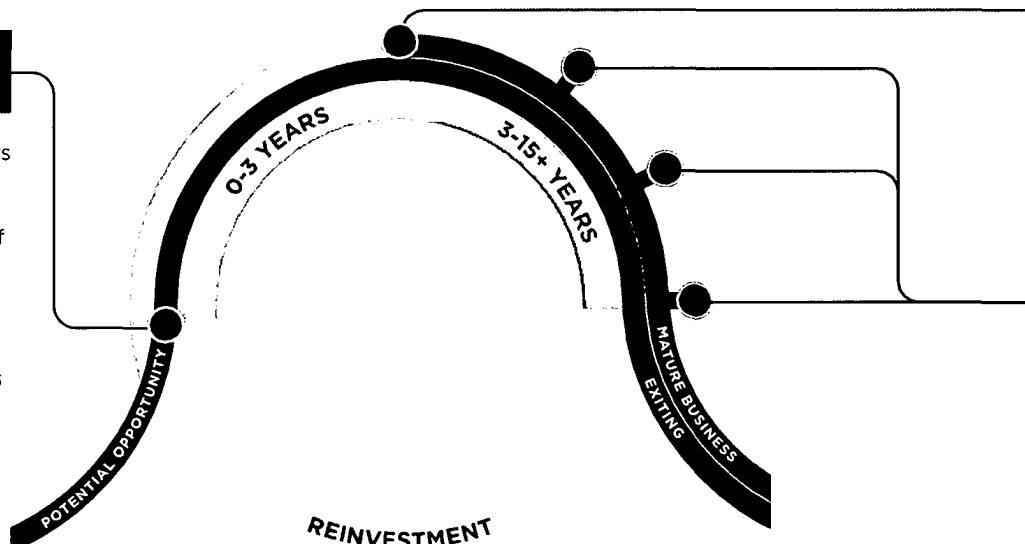
Executive search and recruitment

Intellectual property appraisal and strategy development

Q4 Investment Life Cycle

Start-up

IP Group's specialists work with partners to identify promising research and to create and develop businesses around this research. Time and a limited level of capital are then deployed by IP Group, often alongside 'soft' grant funding, to develop the ideas to early commercial and technical validation using stringent milestones. As incubation opportunities show signs of traction, an investment case is made for seed funding to accelerate technical and commercial developments.





Financial / returns	HARD NAV OF £1.3bn (2019: £1.2bn)	DIVERSE PORTFOLIO OF 131 COMPANIES BY SECTOR AND MATURITY WORTH £1.2bn (2019: £1.0bn)
New company and job creation	300+ COMPANIES FORMED AND SUPPORTED (2019: 300+)	5,000+ JOBS CREATED (2019: 5,000+)
Purposeful and impactful work	ALIGNED WITH SDGs	WORKING TO ADDRESS SOME OF THE WORLD'S BIGGEST ISSUES

 Read about our Stakeholders
on **pages 74 to 79**

Scale-up

As companies mature, IP Group pro-actively sources co-investment, often through our IP Capital corporate finance function or alongside our EIS-specialist fund manager, Parkwalk Advisors. We continue to take an active role in company development, commonly through continued Board presence, to help grow the value of the company

over time. Resources and capital are focused on those opportunities that are considered to represent the most attractive opportunities from a risk/reward perspective. The Group continues to offer support and can help inform discussions around strategic direction, including licensing, industrial partnering and M&A, as well as exit strategies, whether trade sale or IPO.

Exit mature opportunities and deploy capital in line with capital allocations policy

Capital allocation policy

- Organic growth
- Managing gearing
- Returns to shareholders

The Group applies its ESG policy and ethical framework to its investment decisions and ongoing portfolio management to ensure the Group focuses only on companies which create a positive impact.

 Read about Ceres Power
on **pages 12 to 13**

 Read about ESG & Responsible
Investment on **pages 58 to 70**

Business model in action

Case study:

Ceres Power Holdings plc

£1m to £1bn

MARKET CAPITALISATION IN
LESS THAN EIGHT YEARS

Leading the energy transition.

The Company

Ceres Power Holdings plc (Ceres Power) is a world leading alternative energy company based in the UK, developing fuel cell technology for use by original equipment manufacturers and partner organisations committed to developing combined heat and power products and other distributed energy generation applications. It is committed to providing alternative energy solutions to address the global challenges of reducing emissions, increasing fuel efficiency and improving energy security.

2020 was a highlight year for Ceres Power and IP Group's role in backing the company. At the beginning of the year, its market-leading fuel cell technology attracted further investment from Robert Bosch GmbH (Bosch) which increased its equity shareholding in Ceres Power to c.18% from c.4% - a significant strategic step forward in the partnership established in August 2018. This followed a successful collaboration on technology development and manufacturing in both the UK and Germany.

As the year progressed, further partnerships with, for example, Weichei Power and Doosan Group further highlighted its progress. This success is a reflection of the belief that IP Group had in the company and its technology based on scientific research carried out in the UK.

This conviction led to the largest cleantech deal in Europe with seven times multiple of the original investment.

Link to strategy

- Helping develop and support companies into robust businesses: eight years after providing a rescue funding and plan, Ceres Power plc recorded c.£20.0m of revenue for the year to 30 June 2020, an order book of £14.0m and a strong pipeline of £54.0m

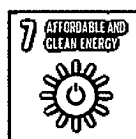
- Delivering attractive returns for stakeholders: IP Group has exited its position in full in Ceres Power plc, realising £128m of cash proceeds and delivering a seven times multiple, providing clear evidence of the IP Group model.

How IP Group has supported Ceres Power

Following a failed field trial, Ceres Power suffered a significant fall in its share price, reflecting the market's low confidence in the company's future. IP Group's Head of Cleantech, Dr Robert Trezona, had previously worked at the company as a technical team leader and believed that the field trial result was not reflective of any fundamental issue with the company's technology. Based on this knowledge, IP Group put together a new strategy and a £3.3m rescue funding package for Ceres Power plc. It also took an active role in the management of the Company with Alan Aubrey, IP Group's CEO and Dr Trezona sitting on the board as Chairman and Non-executive director respectively. Over the years, IP Exec has helped recruit directors including Ceres Power plc's current CEO and Chair. IP Capital has supported Ceres Power plc on subsequent funding rounds with IP Group leading on several investment rounds as well as introducing new shareholders.

Highlights

- c£128m (total proceeds) = seven times multiple and gross realised and unrealised IRR of c.48%
- The Group's proceeds from Ceres Power more than "repay" all of the investments in the Cleantech portfolio
- Rescued & supported the world's leading fuel cell technology company which now employs c.300 people

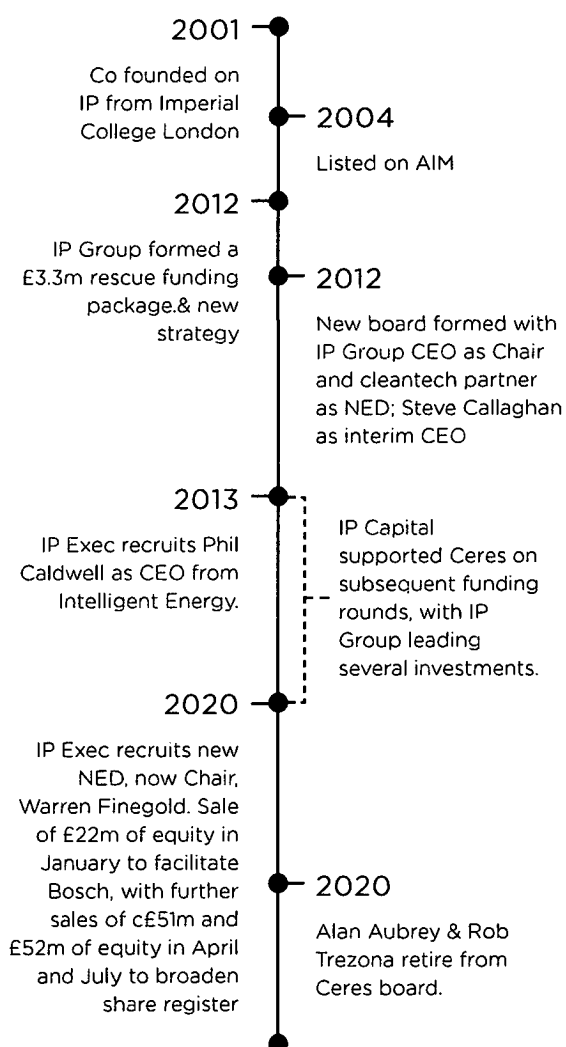


Read about our alignment with the SDGs on **pages 61 to 64**

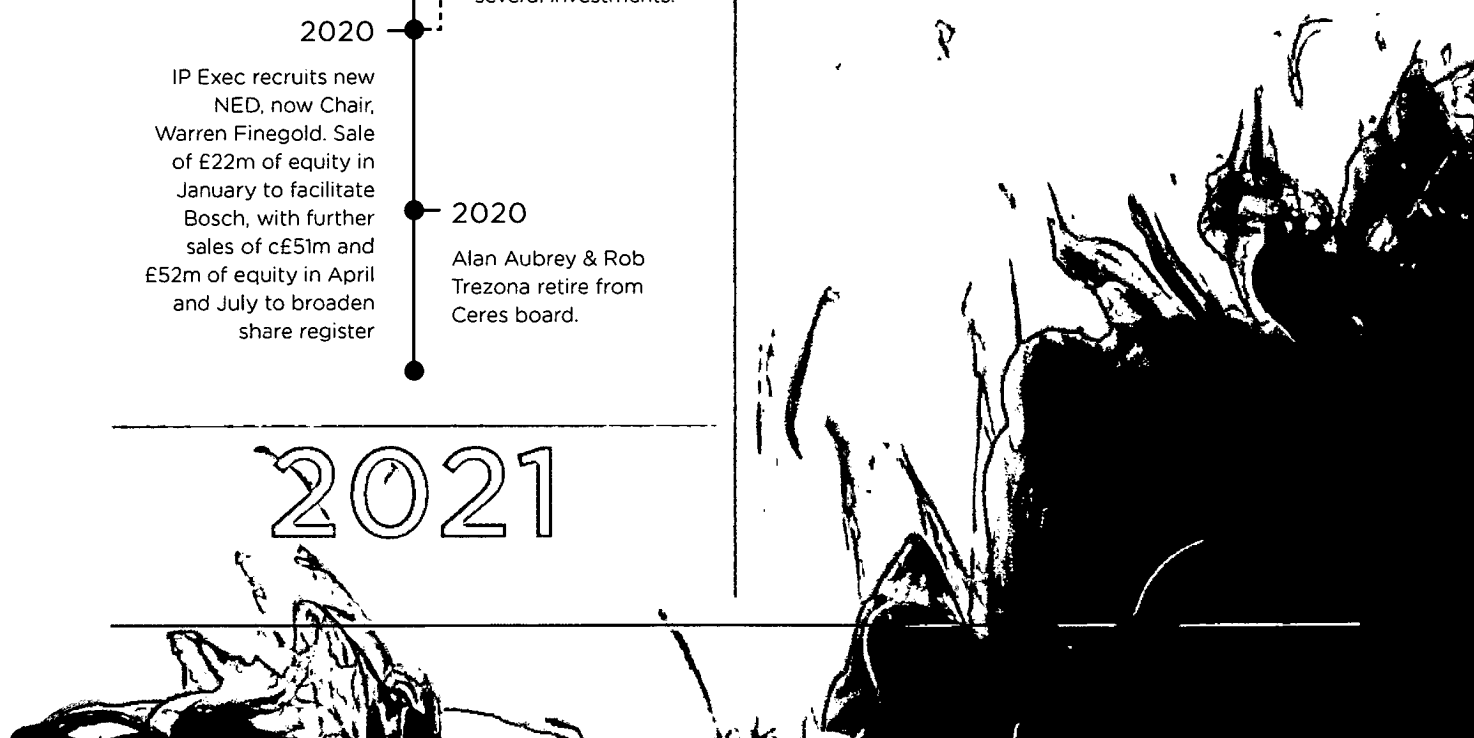
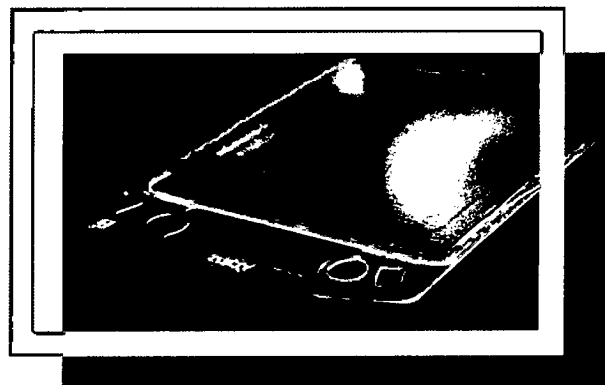
Timeline of Ceres Power's story

The outline below shows how IP Group supported Ceres from rescue package and funding rounds through to the successful exit in 2020.

2001

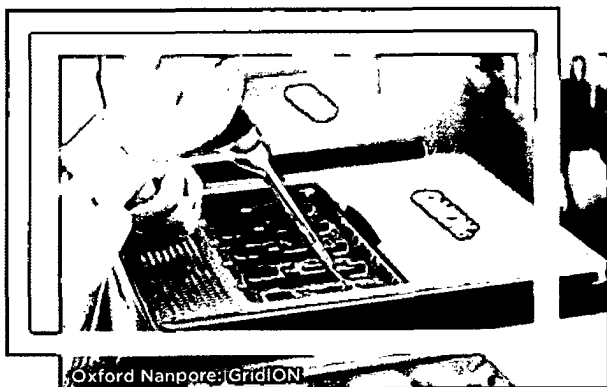


2021



ESG in focus

In 2020, IP Group's purpose, of evolving great ideas into world-changing businesses, and the importance of backing innovation and science over the long term has been brought into sharp relief.



Scientific innovation has proved to be a vital weapon in the world's response to COVID-19 and some of the companies that IP Group has backed and supported over the last twenty years have played critical roles in this response. The response to COVID-19 has highlighted not only companies that can help the health sector but also those which serve the response to the climate crisis and the resulting green transition as well as those increasing the efficiency of the digital economy.

Sustainability is at the heart of IP Group and our approach considers Environmental, Social and Governance (ESG) factors, in how it operates, makes investment decisions and in the way it works collaboratively with portfolio companies to drive these considerations forward.

From this perspective, we placed great importance on the 'S' from ESG in 2020, focusing on the health and wellbeing of our staff and on supporting our portfolio companies while maintaining business as close to usual as possible.

In 2020 we worked towards putting frameworks in place to measure our three focus areas – ESG at plc level, responsible investment and stewardship and impact as follows;

- ESG at Group level: Identifying and prioritising ESG issues which are most material to stakeholders
- Responsible investment and stewardship: Ensuring that our Sustainability and ESG policy and Ethical Investment Framework are implemented across the Group
- Impact: Measuring the positive impact of our portfolio in an objective way against the SDGs
- The above are underpinned by implementing best practice governance

Materiality Assessment

IP Group carried out a materiality assessment in 2020, aimed at gaining a better understanding of the most material ESG issues for stakeholders to help identify and manage both risks and opportunities. This assessment of our material ESG issues combined qualitative and quantitative inputs from internal and external stakeholders. Understanding these issues supports our strategic ESG and responsible investment focus. A key outcome of the materiality assessment was the identification of a non-financial KPI which underscores our commitment to ESG across the business.



Read more on pages 59 to 60

Taskforce on Climate-related Financial Disclosures (TCFD).

It has become clear that meeting the goals of the COP 21 Paris Agreement will require a transition of economies to net zero carbon emissions. At IP Group, we are committed to supporting the energy transition both through our operations and our portfolio. Our cleantech portfolio, in particular, contains many companies with technology solutions which may assist with the transition. In line with this approach, we have chosen to start the process of disclosing climate-related risks and opportunities in line with TCFD recommendations. A summary of our initial disclosure and other details of our environmental reporting including work towards targets can be found on page 67.

Memberships, ratings and initiatives



¹ The study began with a survey of MSF's activities in all regions and later MSF's data and the use of MSF files to track more specific markers or index names in order to identify and assess the impact of interventions. Recommendations are given in the final Global Survey of MSF's MSCI-related data and data are the property of MSF or its constituent organizations. The Global Survey of MSF's MSCI-related data and findings are the property of MSF and its constituent organizations.

ESG highlights

COVID-19 and Our Culture

+25
IMPROVEMENT
IN eNPS
DURING 2020

SHARP FOCUS
ON HEALTH AND
WELLBEING
DURING THE
PANDEMIC

 Read about our culture on pages 70 to 74

ESG KPI

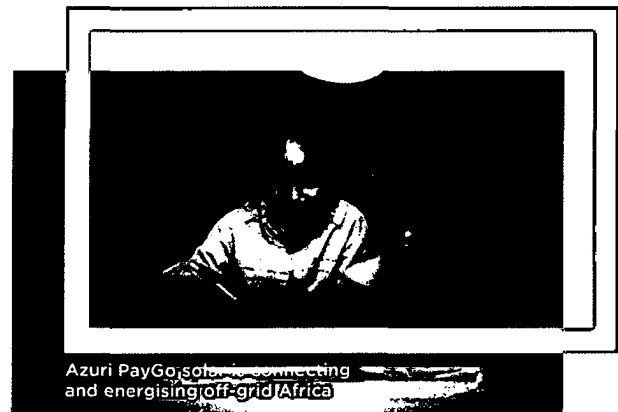
- Identified a non-financial KPI covering employee, engagement and diversity

 read about our non-financial KPI on pages 20 to 21

Supporting Diversity



W INVESTING
IN WOMEN
CODE



Ethics



- Appointed Professor Gordon Clark, Chair of the Ethics Committee

 Read about the Ethics Committee on pages 58 to 60

Environment

- Initial response to TCFD recommendations
- Look at the impact of our portfolio as we move towards measuring against TCFD recommendations

 Read about our approach on page 67

Impact



PORTFOLIO COMPANIES
CONTRIBUTED TO THE
RESPONSE TO COVID-19

Our strategy

Systematically building businesses

We are focused on returning the portfolio to growth. We are doing so by rationalising the portfolio and continuing to concentrate resources on those companies considered most likely to have a meaningful impact on Group NAV in the short to medium term. We are also focused on achieving self-sustainability in the portfolio through cash realisations of the mature companies.

Strategic priorities



To create and maintain a pipeline of compelling intellectual property-based opportunities



To develop and support these opportunities into a diversified portfolio of robust businesses



To deliver attractive financial returns on our assets and third-party funds

What we did in 2020 to address our objectives

- Provided capital for the first time to seven companies or projects: two UK, one US, four Australia and New Zealand (2019: ten total: two UK, two US, six Australia and New Zealand)

- Maintained board representation on almost 90% of our 43 "focus"³ companies
- IP Exec team placed four senior executives with portfolio companies, of which two were chair appointments and two were non-executive director appointments
- IP Exec conducted its first formal "Board Review" mandate for one of our portfolio companies during the year
- Portfolio fair value increased to £1,162.7m after net portfolio gains of £231.4m
- Total capital raised by portfolio companies of £1.1bn during 2020

- Generated cash proceeds of £191.0m
- Net portfolio gains of £231.4m
- Provided £67.5m of capital to 65 distinct portfolio investments
- Portfolio of 127 companies and four strategic investments with a combined total value of approximately £7bn
- Over £40m of EIS funds raised by Parkwalk during 2020, with £30m invested into companies
- Total funds managed or advised by Group subsidiaries now in excess of £400m

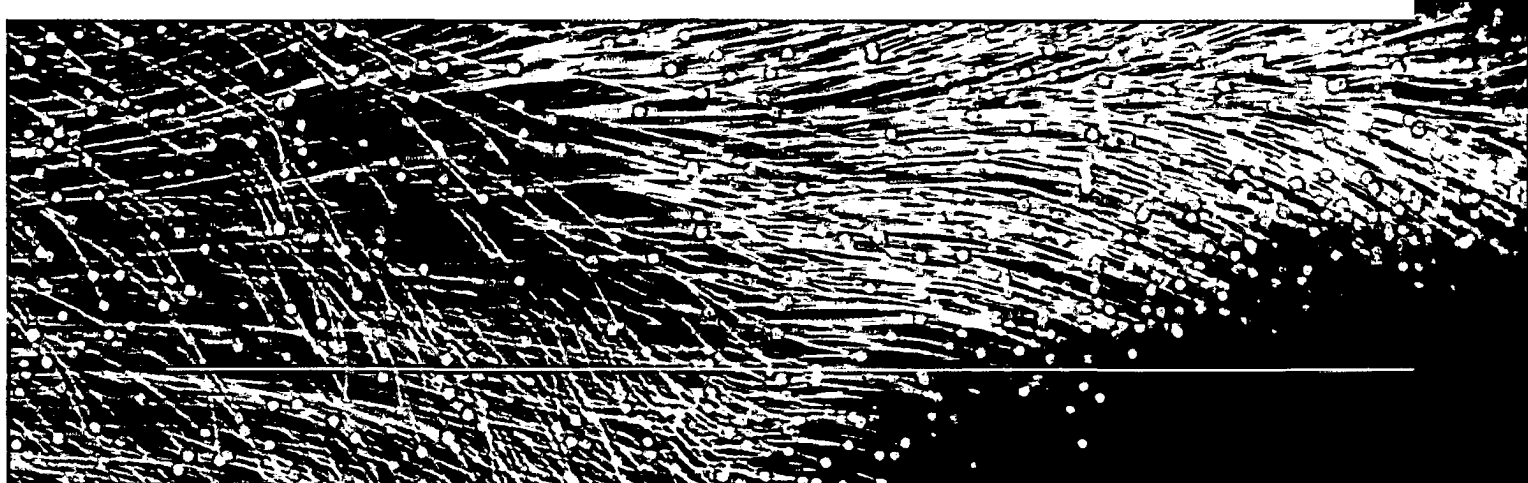
See pages 22 and 24 for data for our KPIs
Alternative performance measure: see note 29 for definition and reconciliation to IFRS primary statements
See page 28 for definition

Objectives for 2021

- Maintain a similar level of new opportunity formation in the UK and US
- Create additional opportunities from Australasian partner universities
- Maintain exposure to similar level of world-class commercialisable IP through partner relationships with UK, US and Australasian academic institutions
- Increase value of portfolio company holdings through hands-on support and development including our IP Exec and IP Capital offerings
- Seek to maintain approach of direct IP Group representation on spin-out company boards
- Increase the number of executive search mandates within IP Exec and assist portfolio companies to increase diversity of boards
- Complete capital raising mandates for certain portfolio companies requiring finance from non-Group sources
- Seek to continue net long-term increase in portfolio value and net assets
- Assist, directly or indirectly, portfolio companies to access public and private markets to raise development capital
- Where appropriate, generate cash realisations from portfolio
- Generate attractive performance in Group's managed funds

Link to KPIs²

- Number of new portfolio companies
- Purchase of equity and debt investments
- Number of new portfolio companies
- Purchase of equity and debt investments
- Hard NAV
- Return on Hard NAV
- Purchase of equity and debt investments
- Return on Hard NAV
- Net portfolio gains/(losses)
- Proceeds from sale of equity investments



Our strategy in action

Case study: Oxford Nanopore Technologies

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



Helping the fight against Coronavirus.

Oxford Nanopore Technologies (ONT) is a prime example of how IP Group backs and supports innovation from an early stage and supports it over time as it matures.

2020 was the year in which Oxford Nanopore's technology really hit the headlines around the world for its work in the fight against the pandemic although their core business of DNA/RNA sequencing remains the foundation for myriad applications.

The Company

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

The Oxford-based company, which now has approximately 600 employees, remains well financed, having raised £162.1m in 2020 from both existing and new investors including International Holdings Company (IHC) and RPMI Railpen.

Link to IP Group strategy

- Helping develop and support companies into robust businesses: 15 years after providing the original seed funding, Oxford Nanopore is growing fast, recording revenues of £52.1m in 2019, a 60% rise on the prior year, and noted it achieved "strong growth" in 2020. The company was ranked 20th in the Sunday Times Tech Track 100 annual league table of the UK's fastest growing private technology companies.
- Delivering attractive returns for stakeholders: Oxford Nanopore is the most valuable holding in IP Group's portfolio. Our 15.0% holding is valued at £340.3m, valuing the entire company at approximately £2.3bn. IP Group also realised £22.0m of cash from a partial sale of its holding in Oxford Nanopore in January 2020 as part of a secondary sale of shares.

Why is backing innovation like Oxford Nanopore so important?

Oxford Nanopore's sequencing technology is now being used in more than 100 countries and by researchers to explore areas of biological research including human genetics, cancer, infectious pathogens, plant and animal genomics and environmental science.

Of particular note, the company is at the forefront of efforts to tackle the COVID-19 pandemic both in sequencing the virus and also in its diagnosis. Oxford Nanopore's technology has been supporting public health authorities and researchers around the world since the start of the outbreak as rapid sequencing of the virus has helped understand transmission pathways, emerging variants and the biology of the disease. The company also rapidly developed and launched its first diagnostic test (LampORE) for the detection of the virus. More broadly, in developing and commercialising the LampORE test, Oxford Nanopore has put in place infrastructure across regulatory, manufacturing and commercial teams that supports its future growth into more 'applied' uses of its technology.

How IP Group has supported Oxford Nanopore

IP Group provided the original seed funding to Oxford Nanopore in 2005 and has backed numerous follow-on funding rounds. The Group has introduced many new shareholders including RPMI Railpen which invested in the last funding round in October 2020. In total, ONT raised £162.1m across three fund raisings in 2020 to support the rapid acceleration of commercial and manufacturing operations as well as ongoing innovation. IP Group, through IP Exec, has also helped recruit directors, including a number of members of both the executive and non-executive team, over the years.

For more on Oxford Nanopore, please see page 32.



Read about our SDGs on
pages 61 to 64

Celebrating the work of the Nanopore Community

...who have used nanopore technology in over

1,549

PUBLICATIONS
TO DATE¹

WITH

104

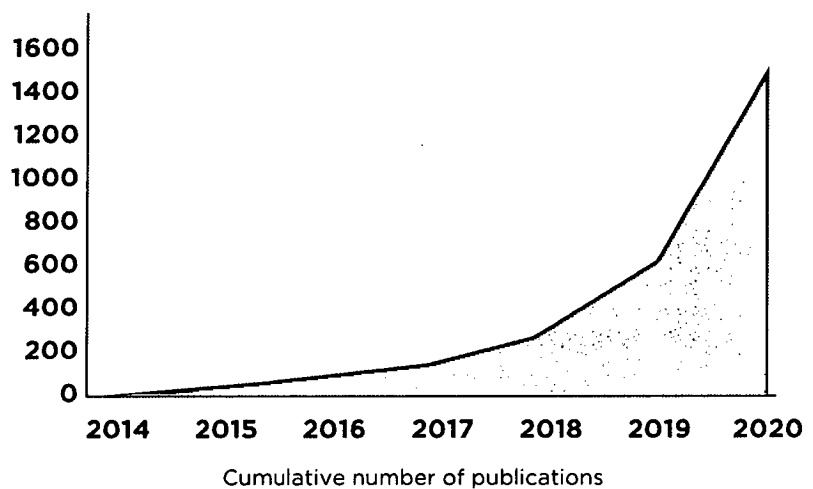
COVID-19 PUBLICATIONS¹

WITH ONE WEEK SEEING

28

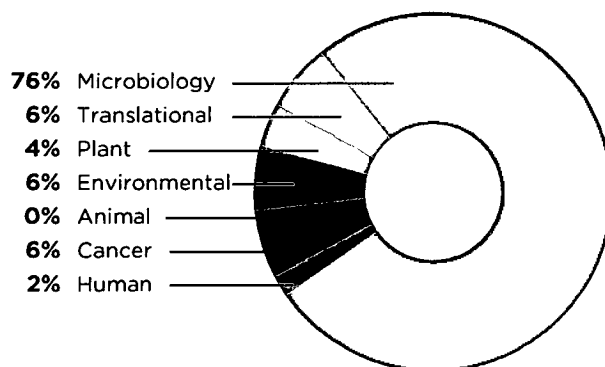
PUBLICATIONS¹

The number of publications has grown and grown...

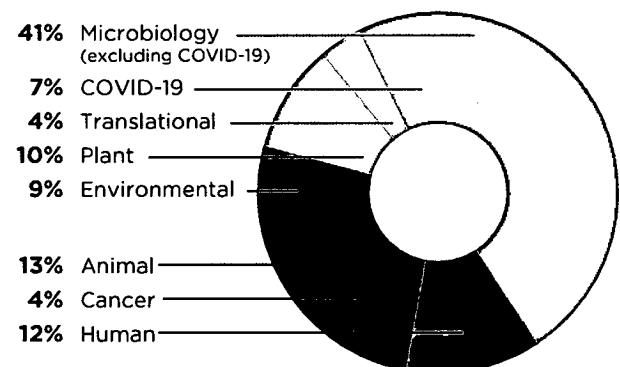


And as throughput has grown, so has the range of applications

No. of publications
(until end of 2016)



No. of publications
(to date¹)



¹ At 13th January 2021; includes pre-prints

Key performance indicators

Measuring our performance: focusing on delivery against our strategy

Financial KPIs	Further description	2020 performance
Hard NAV ¹	The value of the Group's assets less the value of its liabilities, including minority interest, less intangible assets	£1,331.5m (2019: £1,41.5m)
Return on Hard NAV ¹	Total comprehensive income or loss for the year excluding amortisation of intangible assets, share-based payment charges and the charge in respect of deferred and contingent consideration deemed to represent post acquisition services under IFRS 3	£189.5m (2019: negative £73.7m)
Purchase of equity and debt investments	The total level of capital deployed from the Group's balance sheet into portfolio companies during the year	£67.5m (2019: £64.7m)
Net portfolio gains/(losses) ¹	Movement in the fair value of holdings in portfolio companies due to share price movements, other increases/decreases in fair value	£231.4m (2019: loss £43.9m)
Net overheads ¹	The Group's core overheads less operating income	£21.6m (2019: £22.6m)
Proceeds from sale of equity investments	The total amount received from the disposal of interests in portfolio companies	£191.0m (2019: £79.5m)
Non-Financial KPIs		
Number of new portfolio investments	The number of portfolio investments that received initial capital from the Group during the year	7 (2019: 10)
Employee engagement and diversity	A hybrid metric measuring the change in rolling twelve-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 2020.	70% (2019: not measured as 2020 is the first year under review)

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

Risk Key

- | | | |
|---|--|---|
| ① Insufficient capital: Group | ④ Personnel risk | ⑦ Cyber & IT security |
| ② Insufficient capital: Portfolio companies | ⑤ Macroeconomic conditions | ⑧ Group operations including international operations |
| ③ Uncertain investment returns | ⑥ Legislation, governance and regulation | |

Strategic element

Risks potentially impacting KPI

Link to performance-related director remuneration

To grow the value of our assets (and those we manage on behalf of third parties) and deliver attractive financial returns from these assets

① ② ④ ⑤ ⑥

LTIP 2018 – 2020

Portfolio fair value movement has the most material impact on this figure, which also reflects corporate expenses. Measures the development of portfolio companies and return on our assets

① ② ④ ⑤ ⑥

2020 annual incentive

Build and maintain a pipeline of IP-based opportunities and develop these into robust businesses

② ③ ⑤ ⑥

Indirectly impacts both Return on Hard NAV and Hard NAV

To develop IP-based businesses and grow their value

① ② ③ ④ ⑥ ⑦

Indirectly impacts both Return on Hard NAV and Hard NAV

To control the Group's operating cost base

① ⑤ ⑥ ⑦

2020 annual incentive

Cash from proceeds can be used for redeployment into the portfolio or for new opportunities

① ② ④

2020 annual incentive

Build and maintain a pipeline of IP-based opportunities and develop these into robust businesses

③ ④ ⑤ ⑥

Indirectly impacts both Hard NAV and Return on Hard NAV (see above)

Attract, develop and incentivise and retain the best people critical to development of portfolio companies and return on our assets

③ ④ ⑧

Indirectly impacts both Hard NAV and Return on Hard NAV (see above)

Chief Executive's operational review

Innovation generation: 20 years of IP Group

Context

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

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

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

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

This year's report sets out how IP Group responded to this rapidly evolving environment and how we are positioned for this new environment.

Response to COVID-19

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

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

Scientific innovation has proved to be a vital weapon in the world's response to COVID-19 and some of the companies that the Group has backed and supported over the last 20 years have played critical roles in this response. This contribution has exemplified the importance of backing innovation in science over the long-term.

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

Purpose, vision, business model and strategy

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

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

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

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

Our strategy is to operate separate business units that focus either on a key sector or key geography. Our key geographies are the UK, the US, Australia and New Zealand, and China. Our key sectors are Life Sciences, Deeptech and

Cleantech. This combination of geographies and sectors achieves an attractive balance between diversity and focus. It diversifies the geopolitical risk that would arise from focusing on one country whilst ensuring that we have exposure to major thematic trends arising from innovation in scientific research.

Financial results

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

Overview of fund and business unit performance

The performance of our funds and business units is summarised below:

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

Strategic Opportunities

The portfolio saw net portfolio gains of £83.2m during 2020, representing a simple return on opening portfolio fair value of 29%.

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

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

Life Sciences

The portfolio saw net portfolio gains of £85.1m during 2020, representing a simple return on opening portfolio fair value of 27%.

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

Deeptech

The portfolio saw net portfolio gains of £6.6m during 2020, representing a simple return on opening portfolio fair value of 3%.

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

Cleantech

The portfolio saw net portfolio gains of £54.2m during 2020, representing a simple return on opening portfolio fair value of 44%.

Chief Executive's operational review

continued

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

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

North America (IP Group, Inc.)

The portfolio saw net portfolio gains of £4.7m during 2020, representing a simple return on opening portfolio fair value of 6%.

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

Australia and New Zealand (IP Group Pty)

The portfolio saw net portfolio gains of £0.3m during 2020, representing a simple return on opening portfolio fair value of 8%.

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

Third Party Fund Management

The Group continues to view the management of third-party funds as an important element of our business model, and we now manage or advise over £400m in third party capital across our Parkwalk, US, UK and Australian business units.

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

While the impact of COVID-19 on global capital markets resulted in somewhat slower progress in attracting further third-party managed funds, we continue to progress a

number of potential opportunities to further grow funds managed or advised during 2021.

Impact and ESG

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

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

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

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

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

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

Further detailed information on Impact, ESG and on the alignment of our portfolio with the UN's Sustainable Development Goals is provided on pages 58 to 70.

Development of our capital allocation framework and total shareholder returns

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

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

To give the flexibility to be able to implement this strategy, the Directors will seek the relevant authorities from shareholders at the forthcoming Annual General Meeting (AGM). The Directors will seek shareholders' 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 2022. Such purchases will only be made at a discount to the prevailing Hard NAV per share. Any such shares that are bought back may be held in treasury and may subsequently then either be sold for cash or cancelled.

Dividend policy

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

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

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

Outlook

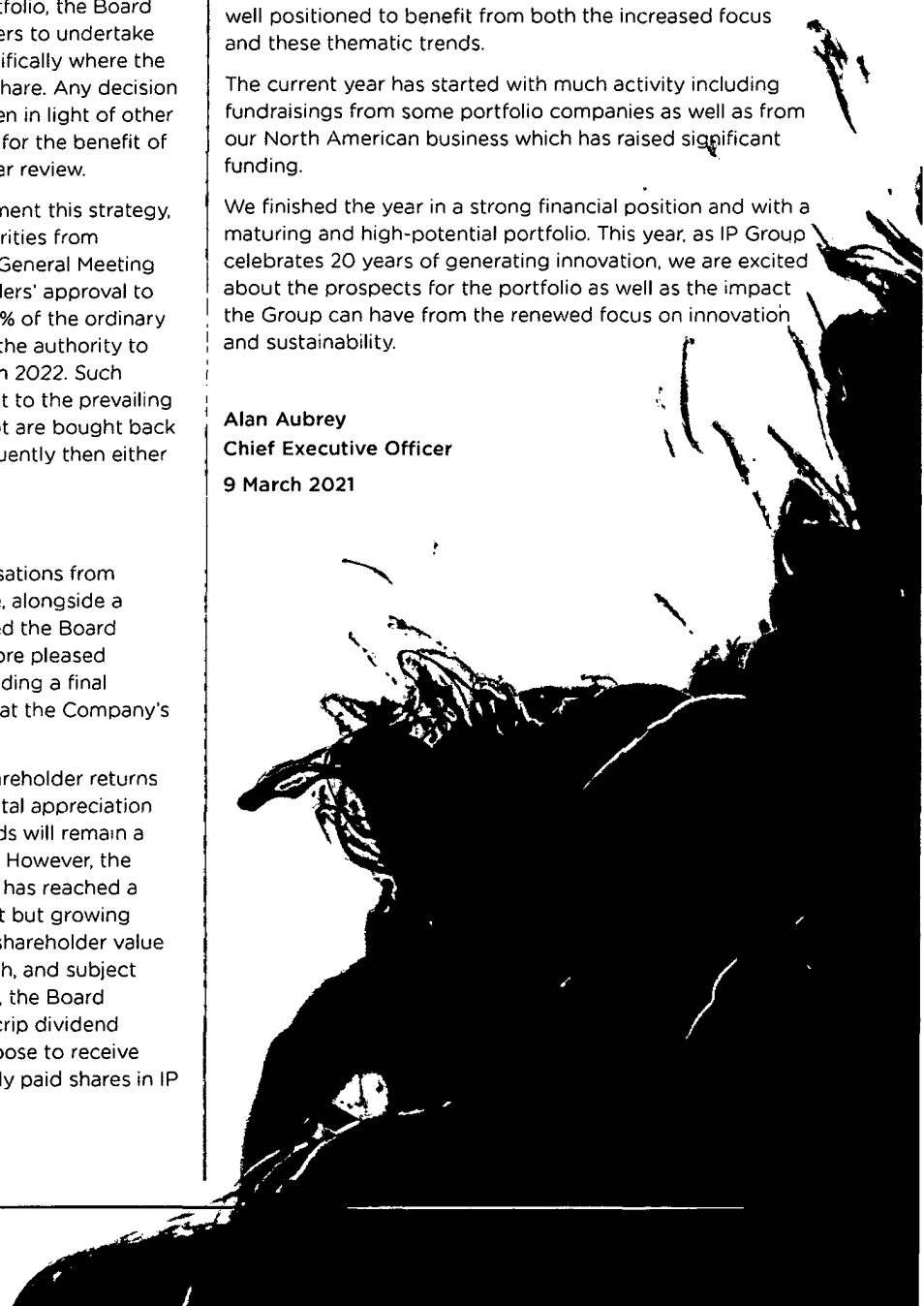
The pandemic has shone a light on the importance of innovation in science. It has also turbo-charged existing key thematic trends – for example advances in biology, digitisation, and the transition to net zero. Our strategy of backing scientific innovation across key sectors and geographies over the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

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

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

Alan Aubrey
Chief Executive Officer

9 March 2021



Portfolio review

Overview

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

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

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

Performance summary

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

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

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

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



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

Investments and realisations

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

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

	2020 £m	2019 £m
Top 20	23.6	21.8
Focus	14.5	21.2
Other (including companies exited by year end)	14.5	11.8
Total United Kingdom	52.6	54.8
United States ¹	11.5	6.9
Australia and New Zealand	3.4	3.0
Total purchase of equity and debt investments	67.5	64.7
Less cash proceeds from sales of equity investments	(191.0)	(79.5)
Net (realisations) / investment	(123.5)	(14.8)

1. United States investment total includes £1.8m (2019: £1.6m) invested in Uniformity Labs, Inc., which is one of the Top 20 holdings by value.

Co-investment analysis

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

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

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



Portfolio review

continued

Portfolio analysis by focus

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

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

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

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

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

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



AMSL Aero partners with air ambulance company CareFlight

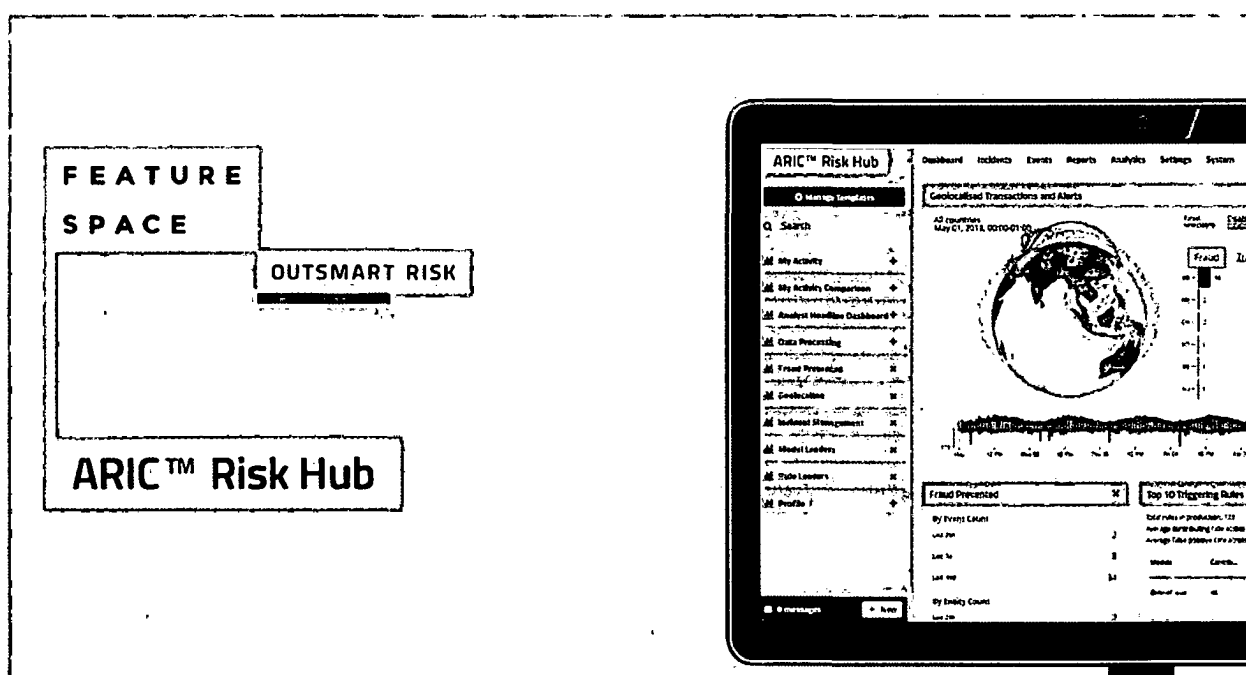
Portfolio analysis by sector

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

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

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

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



Portfolio review

continued

Company name	Sector	Description	Significant named co-investors at 31 Dec 2020
Oxford Nanopore Technologies Limited	Strategic	"Enabling the analysis of any living thing, by any person, in any environment"	Amgen, CCB, GIC, Hostplus, Invesco, Lansdowne, G42 Abu Dhabi, IHC
Istesso Limited	Life Sciences	Reprogramming metabolism to treat autoimmune disease	Puhua Capital
Hinge Health, Inc.	Life Sciences	The World's First Digital Clinic for Back and Joint Pain	Bessemer, Coatue, Insight, Lead Edge, Tiger Global, Atomico Advisors
Featurespace Limited	Deeptech	Leading predictive analytics company	Highland Europe, Insight, Invoke, MissionOG, TTV Capital, Robert Sansom, Merian Chrysalis
Inivata Limited	Life Sciences	Transforming clinical cancer care with liquid biopsy	Neogenomics, Cancer Research, CIC, J&J Innovation, RT Partners
Wave Optics Limited	Deeptech	Novel optical waveguides and modules for augmented reality displays	Bosch Venture Capital, Gobi Partners, GoerTek Inc., Octopus
Diurnal Group plc	Life Sciences	Novel products for the treatment of rare endocrine disorders	(AIM quoted)
Garrison Technology Limited	Deeptech	Anti-malware solutions for enterprise cyber defences	BGF, Dawn Capital, NM Capital
Ultraleap Holdings Limited	Deeptech	Contactless haptic technology "feeling without touching"	Cornes, Dolby Ventures, Hostplus, Mayfair Partners
Oxford Sciences Innovation plc	Strategic	University of Oxford preferred IP partner under 15-year framework agreement	Blue Pool, Fosun Pharma, Invesco, Lansdowne, Redmile, Sequoia, Temasek, Tencent
First Light Fusion Limited	Cleantech	Solving fusion with the simplest possible machine	OSI Hostplus
Apcintex Limited	Life Sciences	Developing novel haemophilia therapies	Medicxi
Artios Pharma Limited	Life Sciences	Novel oncology therapies	Arix Bioscience, BioDiscovery 5, SV Life Sciences, Pfizer, Merck Ventures
Ieso Digital Health Limited	Life Sciences	Digital therapeutics for psychiatry	Draper Esprit
Oxbotica Limited	Cleantech	Software to enable every vehicle to become autonomous	Fundamental Insurance Investments, BT Technology Ventures, BGF Investments
Mirriad Advertising plc	Deeptech	Native in-video advertising allowing post-production ad placement	(AIM quoted)
Uniformity Labs, Inc.	United States	"Equipment, materials and software for additive manufacturing"	Not disclosed
Actual Experience plc	Deeptech	Optimising the human experience of networked applications	(AIM quoted)
Mission Therapeutics Limited	Life Sciences	Targeting deubiquitylating enzymes for the treatment of CNS and mitochondrial disorders	Pfizer, Roche, Sofinnova Partners, SRI one, Schroder
MOBILion Systems, Inc.	United States	A platform technology for conducting ion mobility separations	Not disclosed

 "Other companies
 (111 companies)"

 De minimis and organic
 investments

 Value not attributable to
 equity holders^a
Total

- Represents the Group's undiluted beneficial economic equity interest (excluding debt), including only the Group's portion of IPVF II and the US portfolio. Voting interest is below 50%.
 - Includes £0.7m decrease (2019: £2.7m increase) in revenue share to Imperial College London, with a corresponding increase in revenue share liability resulting in no net fair value movement.
- * Third party valuation specialists used for 31 December 2020 valuation

Primary valuation basis at 31 Dec 2020	Group Stake at 31 Dec 2020 %	Fair value of Group holding at 31 Dec 2019 £m	Net investment/ (disinvestment) £m	Unrealised Fair value movement and fees settled in equity £m	Fair value of Group holding at 31 Dec 2020 £m
Other	15.0	263.8	-	76.5	340.3
Other*	56.4	82.6	3.0	-	85.6
Recent financing (< 9 months)	2.4	2.6	-	39.5	42.1
Recent financing (> 9 months)	19.7	29.4	1.0	6.4	36.8
Recent financing (< 9 months)	21.4	24.0	-	7.0	31.0
Recent financing (> 9 months)	17.1	15.2	0.9	10.0	26.1
Quoted bid price	31.9	9.1	3.0	12.3	24.7
Other	23.4	28.8	-	(5.2)	23.6
Recent financing (> 9 months)*	22.6	27.5	-	(4.1)	23.4
Recent financing (< 9 months)	2.3	23.9	(7.3)	4.0	20.6
Recent financing (< 9 months)	32.0	17.9	2.5	0.1	20.5
Sale process	27.5	7.0	1.0	11.0	19.0
Other	11.7	8.2	2.7	6.4	17.3
Other*	46.2	18.4	3.2	(4.8)	16.8
Recent funding (< 9 months)	16.4	11.6	4.0	(0.6)	15.0
Quoted bid price	12.3	5.0	-	9.8	14.8
Recent financing (< 9 months)	23.6 ¹	14.1	0.2	0.4	14.7
Quoted bid price	21.2	9.5	-	4.9	14.4
Recent financing (< 9 months)	18.0	13.7	-	0.1	13.8
Recent financing (< 9 months)	27.9 ¹	9.3	3.1	0.5	12.9
		372.5	(58.4)	(21.3)	292.8
		13.0	2.0	(3.1)	11.9
		38.2	7.2	(0.8)	44.6
		1,045.6	(31.9)	149.0	1,162.7

Portfolio review: Strategic opportunities



Alan Aubrey Chief Executive Officer

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

Oxford Nanopore

Oxford Nanopore is disrupting the paradigm of biological analysis by making high-performance, novel DNA/RNA sequencing technology that is accessible and easy to use. Its sequencing technology, which scales from portable devices to large high-throughput versions, is now being used in more than 100 countries for a range of biological research applications including large-scale human genomics, cancer research, microbiology, plant science, and environmental research. During 2020, the Company entered the diagnostics market with its first in vitro diagnostic product, LamPore, a COVID-19 test.

The company, which now has approximately 600 employees, remains well financed, having raised £162.1m million last year from both existing and new investors including

International Holdings Company (IHC) and RPMI Railpen. It was ranked 20th in the Sunday Times Tech Track 100 annual league table of the UK's fastest growing private technology companies. The company recorded revenues of £52.1m in 2019, a 60% rise on the prior year, and noted it achieved "strong growth" in 2020.

COVID-19

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

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

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

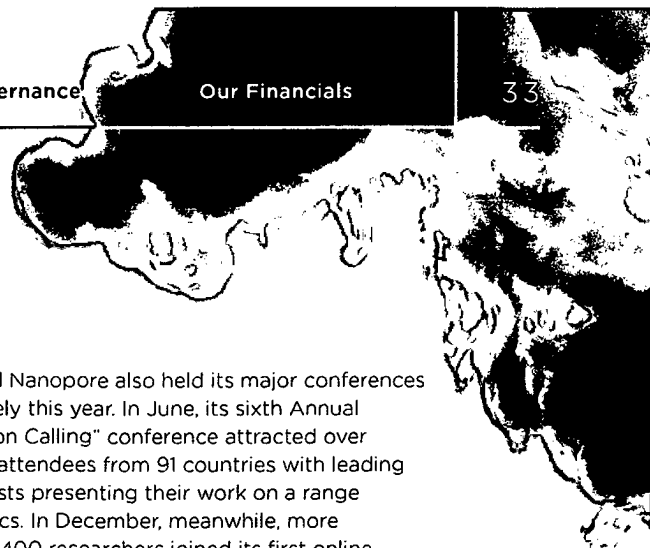
Oxford Nanopore's COVID test, LamPore has now achieved CE marking for in vitro diagnostic use for the detection of SARS-CoV-2 using the GridION device. This milestone represents Oxford Nanopore's first IVD clinical diagnostic product and underlines the huge potential of scalable, real-time nanopore sequencing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

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

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

Other 2020 highlights & technical progress

Other significant developments in the year include the announcement that Oxford Nanopore joined the Africa CDC and other leading industry partners including the Bill and Melinda Gates Foundation to announce the African Pathogen Genomics Initiative. This \$100m four-year initiative aims to build a disease surveillance and laboratory network based on genomic sequencing across Africa. This network



will not only help identify and inform research and public health responses to COVID-19 and other epidemic threats, but also tackle endemic diseases such as HIV, tuberculosis, malaria, cholera, and other infectious diseases.

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

Research

During the fourth quarter of 2020, over 230 scientific studies utilising nanopore technology were published, including 14 papers in high impact journal titles from Nature alone. In the quarter, 28 scientific publications detailing the extensive use of nanopore sequencing to track and characterise SARS-CoV-2 were published including an independent study of more than 23,000 samples which revealed LamPORE COVID-19 to offer highly accurate detection of SARS-CoV-2, in both symptomatic and asymptomatic population settings. Within the field of COVID epidemiology, more than 100 papers were published, including where researchers in Brazil reported the first identification of the highly transmissible SARS-CoV-2 B.1.1.7 variants, and researchers used nanopore sequencing to comprehensively analyse 16 SARS-CoV-2 outbreaks in mink farms in the Netherlands with results indicating that the virus was introduced from humans to mink and subsequently evolved.

Operational developments

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

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

Multi-sector platform companies

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

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

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

Other holdings

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

Portfolio review: Life sciences



Dr Sam Williams
Managing
Partner,
Life Sciences

“The Life Sciences division enjoyed strong performance in 2020, with a closing portfolio value of £393m and net portfolio gains of £85m, representing a 27% return on the opening portfolio value of £335m. We consider that this positive portfolio performance is partly attributable to positive actions taken by the Life Sciences team over the past three years, working closely with the boards and operational management of our portfolio companies”

Review of the year

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

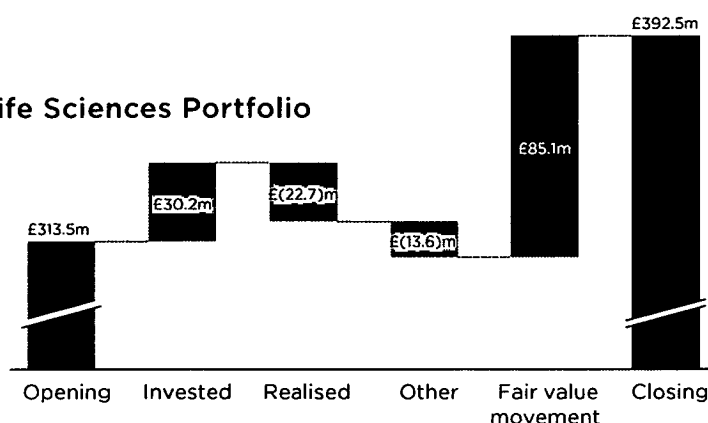
We consider that the positive portfolio performance is partly attributable to the following actions taken by the Life Sciences team over the past three years, working closely with the boards and operational management of our portfolio companies:

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

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

In addition to this, there were some notable examples of outstanding individual company performance, including Diurnal Group plc's

Life Sciences Portfolio



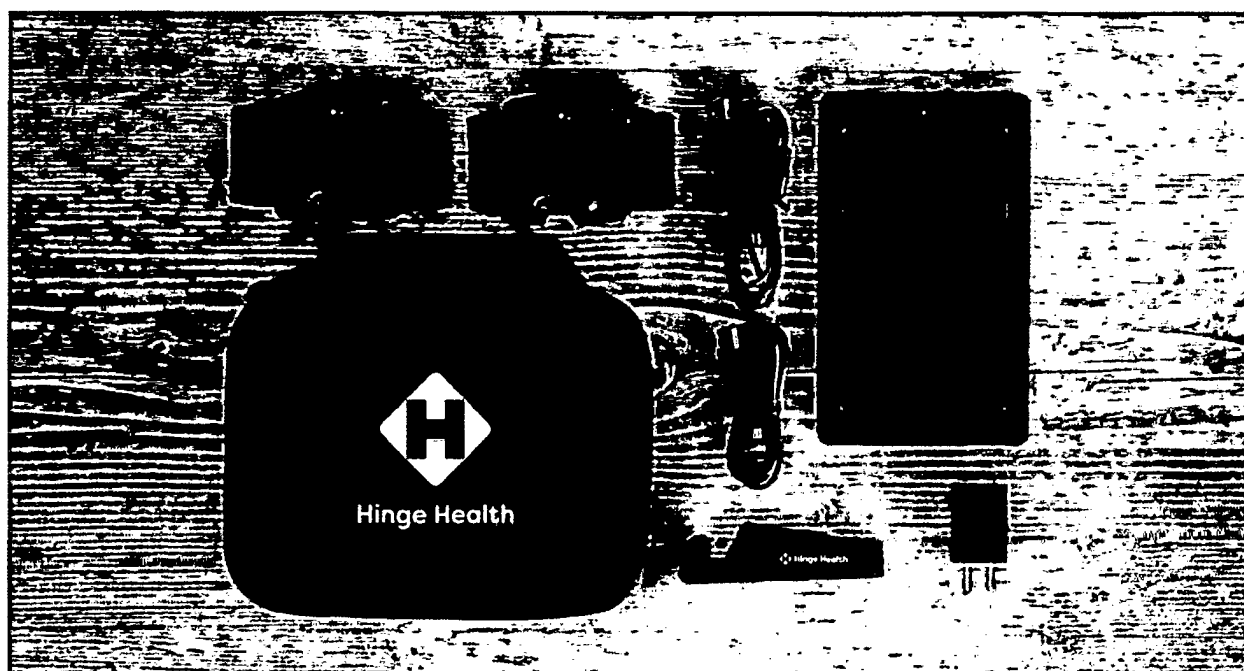
continued commercial traction for Alkindi in the US and EU, resulting in a 107% share price appreciation and £12m gain for the division, and Artios' multi-billion-dollar research collaboration with Merck, resulting in a £6m increase in our holding value.

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

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

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

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



Hinge Health: Chronic Program for Knee Pain

Portfolio review: Technology



Mark Reilly
Managing
Partner,
Technology

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

Review of the year

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

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

Deeptech portfolio

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

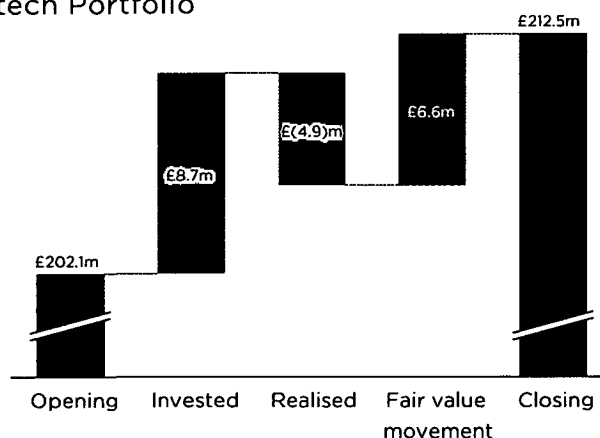
2020 has been a transformative year for WaveOptics Limited, which makes waveguides and projectors for augmented reality glasses. Despite COVID-19, the company exceeded order forecasts during the year, reflecting the imminent emergence of mass market augmented reality products. WaveOptics now counts eight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

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

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

COVID-19 has brought challenges to all our portfolio companies, but we are confident that several can also make a meaningful contribution in helping the world adapt to, and deal with, the crisis. University of Oxford spin-out

Deeptech Portfolio



Navenio, for example, is deploying its infrastructure-free indoor location and workforce artificial intelligence solution in UK hospitals to help alleviate the pressures brought on by reduced or changing staff availability, whilst Actual Experience plc was cited in a white paper published by Verizon and Boston Consulting Group as delivering a key tool for managing the changes in working patterns brought about by lockdown.

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

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

Cleantech

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

64p so the gross realised and IRR of this investment 48%, with a multiple of 7.0.

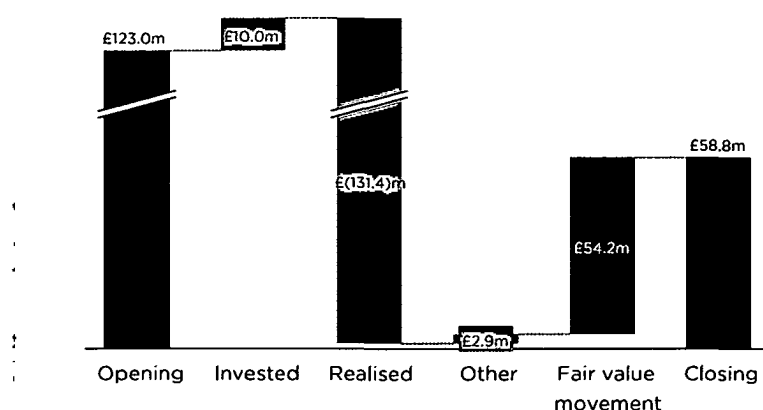
Our autonomous vehicle company Oxbotica secured new funding in a £27m round led by BP Ventures, leaving the company well positioned to continue its commercialisation of software originally developed at the University of Oxford that can automate any vehicle, in any environment at any time.

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

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

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

Cleantech Portfolio



Portfolio review: North America

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

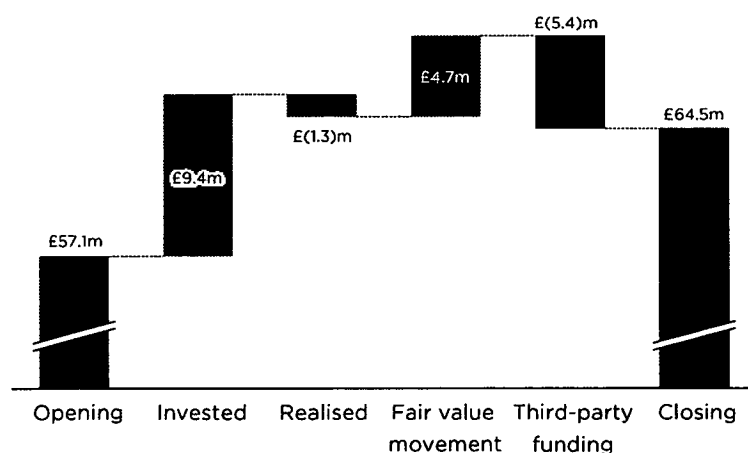
Its portfolio companies have realised a number of financial and operational achievements over the course of the year, among them:

- MOBILion closed a \$35m Series B funding round to expand its product portfolio and advance the commercial efforts for its SLIM technology for biotherapeutics characterisation and novel biomarker discovery;
- Carisma Therapeutics closed a \$59.0m Series B round. It also achieved a ground-breaking milestone achieving clearance by US Food and Drug Administration of its investigative new drug (IND) application for its lead candidate, CT-0508, an anti-human epidermal growth factor receptor 2 (HER2) targeted chimeric antigen receptor macrophage (CAR-M). The company recently initiated trial enrollment and patient screening for the first-of-its-kind, first-in-human study of CAR-M at Penn and the University of North Carolina. They also entered into a scientific research and licensing agreement with Nathaniel R. Landau, PhD, and NYU Langone Health through which Carisma will attain exclusive rights to develop and commercialize their Vpx lentiviral vector for all indications;

- Uniformity Labs completed a \$38.35m Series B funding round to expand its growth in the additive manufacturing industry;
- Exyn Technologies entered into a partnership agreement with Sandvik Mining and Rock Technology that is expected to set the standard in autonomous underground mining. They launched in Australia with C.R. Kennedy, one of the largest providers of survey equipment for mining and government needs in Australia, and also appointed Dr. Shay Badie, an experienced investment professional and Goldman Sachs alumnus, and government acquisition and procurement expert, Katharina McFarland, to their board of directors;
- TrekIT raised \$1m in a seed round to continue the development of their in-patient workflow application designed to combine a patient's health data with clinician communications, documents and data analytics in one place, to greatly improve patient care.

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

North America Portfolio



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

Portfolio review: Australia and New Zealand

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

Selected highlights from the portfolio include:

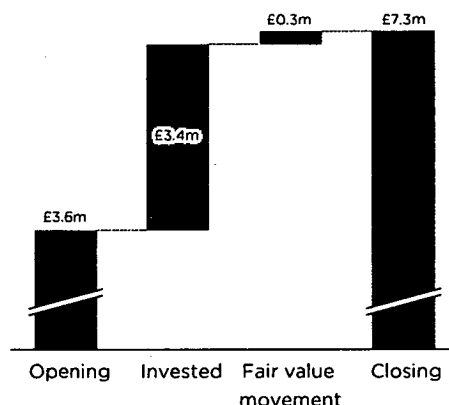
- AMSL Aero (University of Sydney) is developing Vertiia, the world's most efficient eVTOL. In November the company unveiled the vehicle and launched a partnership with Australian air ambulance company CareFlight to develop aeromedical applications of Vertiia.
- Canopus Networks (University of New South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

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

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

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

Australia and New Zealand Portfolio



Third party fund management: Parkwalk Advisors

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

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

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

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

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

PARKWALK: 2020 IN NUMBERS

24

PARKWALK ARTICLES IN
THE PRESS ON EIS, ESG,
R&D, DEEP-TECH ETC

>£44m

RETURNED TO INVESTORS
IN TOTAL (>20% IRR) FROM
35 EXITS TO DATE

600

PORTFOLIO COMPANY
MEETINGS

120

WEALTH MANAGER
MEETINGS

c.600

NEW SUBSCRIPTIONS

36

INVESTED/COMMITTED
FUNDING ROUNDS

Portfolio review: Additional portfolio analysis

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

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

¹ Excluding organic and de minimis

Financial review



Greg Smith
Chief Financial
Officer

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

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

Consolidated statement of comprehensive income

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

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

1. Defined in note 29 Alternative Performance Measures.

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

Net portfolio gains/(losses) consist primarily of realised and unrealised fair value gains and losses from the Group's equity and debt holdings in spin-out businesses, which are analysed in detail in the portfolio review on pages 26 to 42.

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

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

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

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

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

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

The charge of £3.0m in respect of the Group's Annual Incentive Scheme (2019: £2.0m), reflects performance against 2020 AIS targets as described in the Directors Remuneration Report on page 107.

Other income statement items

The share-based payments charge of £2.9m (2019: £2.3m) reflects the accounting charge for the Group's Long-Term Incentive Plan and Deferred Bonus Share Plan. This non-cash charge reflects the fair value of services received from employees, measured by reference to the fair value of the share-based payments at the date of award, but has no net impact on the Group's total equity or net assets.

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

The carried interest plan charge of £14.3m (2019: release of £1.3m) relates to the recalculation of liabilities under the Group's Long-Term Incentive Carry Schemes ('LTICS'), which include the current UK scheme, as well as historic IP Group and Touchstone schemes. The liabilities are calculated based upon any excess of current fair value above cost and hurdle rate of return within each scheme or vintage. Any payments will only be made following the full achievement of cost and hurdle in cash and, accordingly, actual payments under these schemes, if any, may be materially different to those set out above. Our success in generating realisations at a Group level in 2020 resulted in proceeds exceeding cost and hurdle within two scheme pools, leading to payments of £0.5m being made to the scheme participants (2019: nil).

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

Consolidated statement of financial position

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

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

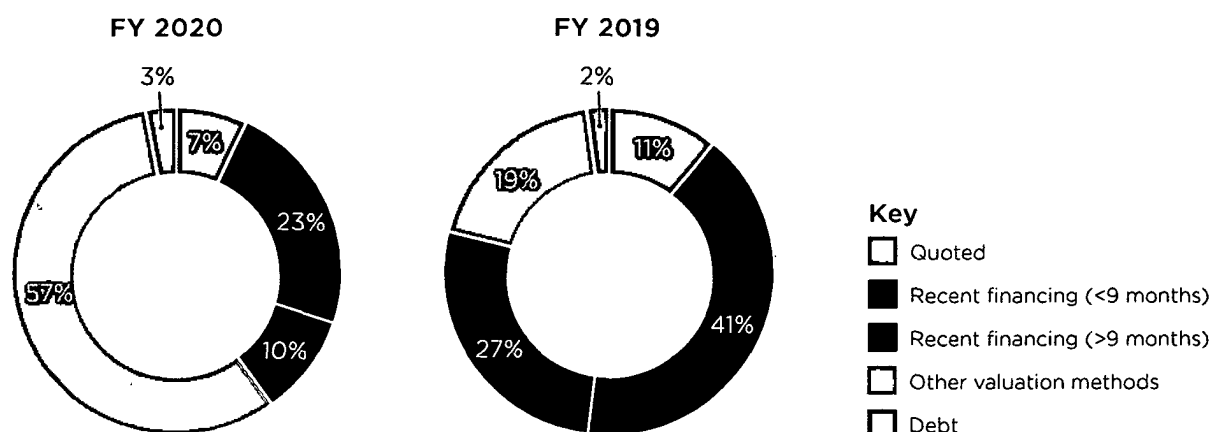
The composition of, and movements in, the Group's portfolio is described in the Portfolio review on pages 26 to 42.

Financial review

continued

Portfolio valuation basis

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



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

Other assets/liabilities

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

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

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

Cash and deposits

At 31 December 2020, the Group held gross cash and deposits of £270.3m (2019: £194.9m). It remains the Group's policy to place cash that is surplus to near-term working capital requirements on short-term and overnight deposits with financial institutions that meet the Group's treasury policy criteria or in low-risk treasury funds rated Prime or above. The Group's treasury policy is described in detail in note 2 to the Group financial statements alongside details of the credit ratings of the Group's cash and deposit counterparties.

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

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

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

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

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

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

Taxation

The Group's business model seeks to deliver long-term value to its stakeholders through the commercialisation of fundamental research carried out at its partner universities. To date, this has been largely achieved through the formation of, and provision of services and development capital to, spin-out companies formed around the output of such research. The Group primarily seeks to generate capital gains from its holdings in spin-out companies over the longer term but has historically made annual net operating losses from its operations from a UK tax perspective. Capital gains achieved by the Group would ordinarily be taxed upon realisation of such holdings; however, since the Group typically holds in excess of 10% in its portfolio companies and those companies are themselves trading, the directors continue to believe that the majority of its holdings will qualify for the Substantial Shareholdings Exemption ("SSE"). This exemption provides that gains arising on the disposal of qualifying holdings are not chargeable to UK corporation tax and, as such, the Group has continued not to recognise a provision for deferred taxation in respect of uplifts in value on those equity holdings that meet the qualifying criteria. Gains arising on sales of non-qualifying holdings would ordinarily give rise to taxable profits for the Group, to the extent that these exceed the Group's operating losses from time to time.

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

Alternative Performance Measures ("APMs")

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

Risk management

Managing risk: our framework for balancing risk and reward



A robust and effective risk management framework is essential for the Group to achieve its strategic objectives and to ensure that the directors are able to manage the business in a sustainable manner, which protects its employees, partners, shareholders and other stakeholders. Ongoing consideration of, and regular updates to, the policies intended to mitigate risk enable the effective balancing of risk and reward."

Governance

Overall responsibility for the risk framework and definition of risk appetite rests with the Board, who, through regular review of risks ensure, that risk exposure is matched with an ability to achieve the Group's strategic objectives. The IP Group Risk Council is the executive body that operates to establish, recommend and maintain a fit-for-purpose risk management framework appropriate for the Group and oversees the effective application of the framework across the business. The Risk Council is chaired by the CFO, has representation from operational business units as required during the year, and is supported in its operation by PwC. Risk identification is carried out through a bottom-up process via operational risk registers maintained by individual teams, which are updated and reported to the Risk Council at least bi-annually, with additional top-down input from the management team with non-executive review being carried out by the Audit & Risk Committee at least annually, see page 128 for details.

Risk management process

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

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

During 2020 we have continued to build on our existing risk management framework, enhancing risk management and internal control processes and working with PwC in an outsourced internal audit capacity and in doing so supported the Board in exercising its responsibility surrounding risk management.

The Risk Council has continued to support the Board in exercising its responsibility surrounding risk management through its regular meetings. The risk management activity in the year included refreshing the Group's operational, strategic and principal risk registers and an assessment of the strategic risks and the appropriateness of our principal risks which resulted in the removal of one existing principal risk and the expansion of another, as described below.

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

Other projects completed in the year included testing of key controls over our principal risks, a refresh of the Group's risk appetite statements over the principal risks, monitoring key risk indicators, assessments of the risks posed by a Hard-Brexit and COVID-19, a control investment review to ensure the desired levels of controls agreed by the Board were in place and continued communication of key outputs of the risk management programme to operational business heads and the wider employee group.

Internal audit reviews were conducted over GDPR, our Capital Allocation process, payments processes and Cyber & IT security. Additionally, the PwC internal audit cyber team hosted a workshop to review the Group's resilience to cyber threats in the new, full-time remote working environment.

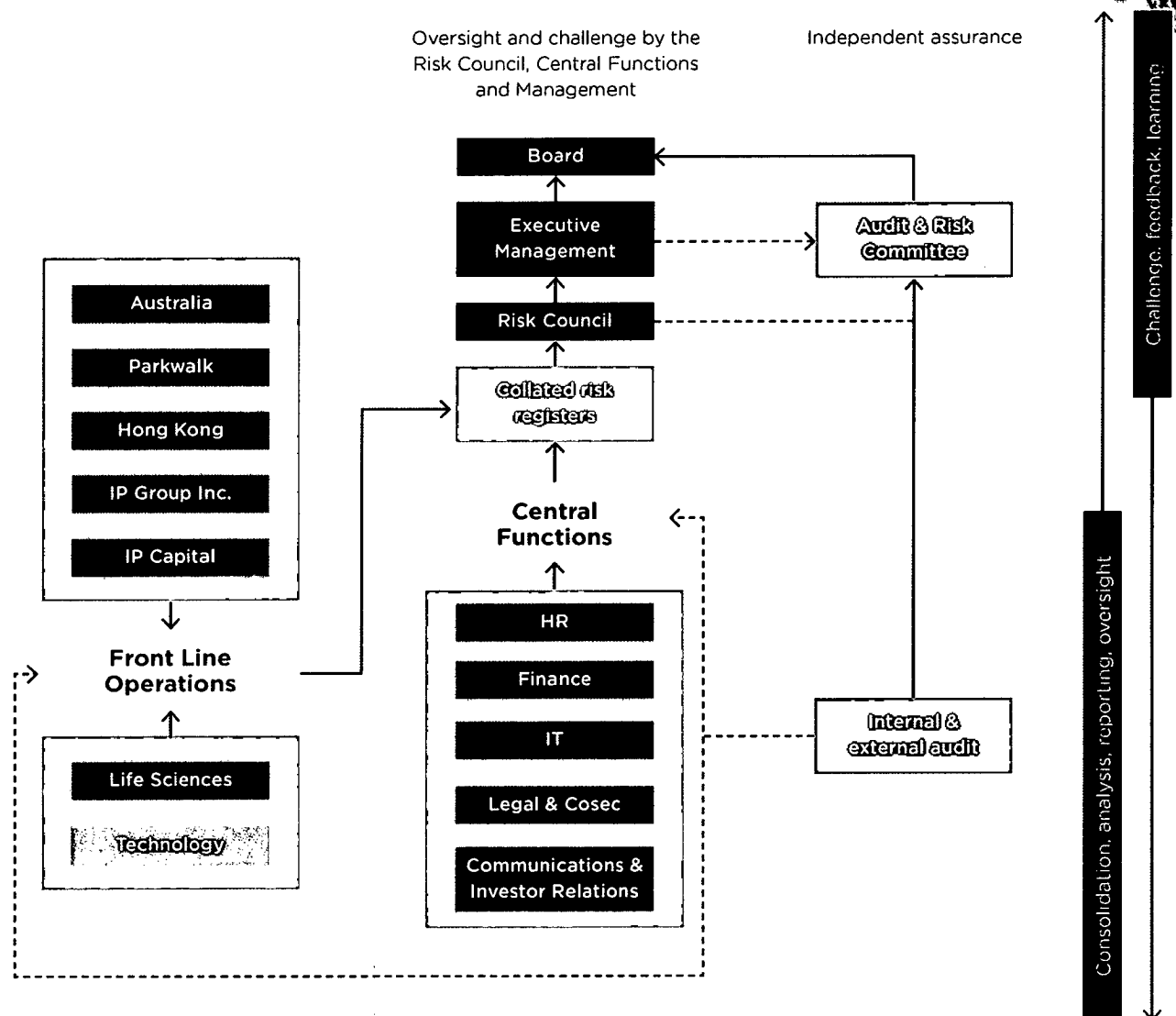
Priorities for 2021 include further business reviews by the internal audit function, enhancing risk reporting and communication across the business, reviewing the Group's assessment of climate related risks and opportunities and preparation for the UK Internal Controls requirements for listed companies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

IP Group risk management framework

01
First Line
Of Defence

02
Second Line
Of Defence

03
Third Line
Of Defence



Read about our strategy on pages 16 and 17.

Read about our governance on pages 82 To 99.

Key

Direct Reporting

Review and Challenge

Risk management

continued

Emerging risks

The Group's management and Board regularly considers emerging risks and opportunities, both internal and external, which may affect the Group in the near, medium and long term.

The Board considered this subject in detail at its strategy day in December. Set out below are examples of some of the potential emerging risks that are currently being monitored by management and the Board:

Near term

COVID-19

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

Cyber and IT security

Cyber and IT security continue to be areas of risk for the Group and its portfolio as we continue to invest in intellectual-property based portfolio companies which could be targets for hackers or competitors and the regulatory landscape which is evolving rapidly around data security and the increasing powers of regulators to impose significant fines on companies who inadvertently breach new legislation such as GDPR. In 2020 the industry saw a wholesale increase in cyber attacks, likely in response to the global move to remote working, and it is against this backdrop that the Group increased both its risk rating for Cyber and IT Security and its investment in mitigating controls, staff training and expert advisers to support our response to this risk area.

Medium term

The UK's withdrawal from the EU

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

Key Risks

Access to capital

Macroeconomic environment could cause a short-term UK recession which would reduce investor confidence and impact access to capital for both IP Group and its portfolio companies.

Uncertainty over grant funding capital available for the Group's early-stage portfolio companies could cause funding risks for university spin out companies in the UK.

Performance and management of portfolio companies

The performance and management of portfolio companies is crucial to the success of the Group and, as a result, the preparation that portfolio company management teams have undertaken to address key Brexit risks will be central to the successful navigation of operational and other issues that may impact their performance.

People

The macroeconomic environment has an impact on long-term recruitment and planning for companies. Additional visa restrictions could also impact academics and student movement to the UK, thus affecting the pool for potential portfolio companies.

Longer term

Climate change

Climate change continues to be a key concern of the Group and all its stakeholders. IP Group invests in technology which has the potential to have positive impacts on the environment and the Group is well positioned to take advantage of the changing preferences of governments, businesses and individuals, see case studies on Bramble Energy Limited and Mixergy Limited on page 64. In addition IP Group has started the process of reporting against the TCFD recommendations in monitoring risks and opportunities to the business as presented by climate change. See page 67.

Summary of principal risks and mitigants

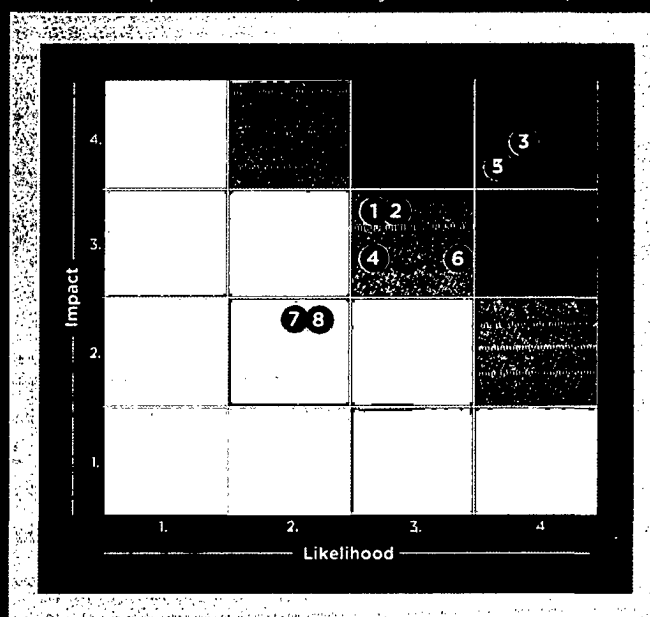
A summary of the principal risks affecting the Group and the steps taken to manage these is set out below.

Further discussion of the Group's approach to principal risks and uncertainties is given on page 94 of the Corporate Governance Statement and pages 128 to 131 of the report of the Audit & Risk Committee, while further disclosure of the Group's financial risk management is set out in note 2 to the consolidated financial statements on pages 159 to 161.

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

Principal risks

- 1 Insufficient capital: Group
- 2 Insufficient capital: portfolio companies
- 3 Insufficient investment returns
- 4 Personnel risk
- 5 Macro-economic conditions
- 6 Legislation, governance and regulation
- 7 Cyber and IT Security
- 8 Group operations including international operations
- 9 2020 principal risk



Risk appetite ratings defined:

Very low

Following a marginal-risk, marginal-reward approach that represents the safest strategic route available

Low

Seeking to integrate sufficient control and mitigation methods in order to accommodate a low level of risk, though this will also limit reward potential

Balanced

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

High

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

Very high

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

Risk management

continued

Consideration of risk appetite:

The industry the Group operates in inherently involves accepting risk in order to achieve the Group's strategic aims of creating and maintaining a pipeline of compelling intellectual property-based opportunities, developing and supporting its portfolio companies into a diversified portfolio of robust businesses and delivering attractive financial returns on those assets and third-party funds. The Group accepts risk only as it is consistent with the Group's purpose and strategy and where they can be appropriately managed and offer a sufficient reward. The Board has determined its risk appetite in relation to each of its principal risks and considered appropriate metrics to monitor performance to ensure it remains within the defined thresholds. The Board's assessment of risk appetite is provided in the summary of each principal risk below.

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

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

Link to strategy

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



Actions taken by management

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

Risk appetite



KPI

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

Development during the year

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

Examples of risk

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

Change from 2019



KEY



Create



Develop



Deliver



Increase



Decrease



No change



New



Very low



Low



Balanced



High



Very high

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

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

Link to strategy

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



Actions taken by management

- The Group operates a corporate finance function which carries out fundraising mandates for portfolio companies
- The Group maintains close relationships with a wide variety of co-investors that focus on companies at differing stages of development
- The Group regularly forecasts cash requirements of the portfolio
- While Parkwalk Advisors continues to have independent investment decision making it has been and is anticipated to continue to be an important co-investor with the Group, supporting shared portfolio companies

Risk appetite



KPI

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

Development during the year

- IP Group hosted virtual investor events in 2020 including a Deeptech Forum for China investors, three Australian portfolio showcases and a UK capital markets event "human health is the new wealth".
- Continued management of an AUS\$100m trust for an Australian Super Fund which has a mandate to co-invest with IP Group plc portfolio companies. In the year, four Group portfolio companies received funding from this investment vehicle.
- Parkwalk's planned 2020 fundraising was constrained against expectations due to the impact of COVID-19

Examples of risk

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

Change from 2019



Risk management

continued

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

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

Link to strategy

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



Actions taken by management

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

Risk appetite



KPI

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

Development during the year

- The Group's portfolio companies raised approximately £1.1bn of capital in 2020
- The Group maintained board representation on 89% of its "focus" companies by number

Examples of risk

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

Change from 2019



KEY



Create



Develop



Deliver



Increase



Decrease



No change



New



Very low



Low



Balanced



High



Very high

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

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

Link to strategy

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



Actions taken by management

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

Risk appetite



KPI

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

Development during the year

- Additional pressures on employees as a result of the pandemic has meant the Group heavily invested in employee wellness during the year. Virtual fitness classes, mental health and resilience workshops were made available to all staff.
- Significant increase in frequency of employee communications from executive directors, investment teams and the Head of HR. High levels of engagement from employees noted in quarterly "pulse" surveys.
- Continued to dedicate resources to remuneration and incentivisation.
- Staff attrition was 6.1%
- Approximately 40.2% of employees have been with the Company for at least five years.

Examples of risk

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

Change from 2019



Risk management

continued

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

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

Link to strategy

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



Actions taken by management

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

Risk appetite



KPI

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

Development during the year

- Macroeconomic and geopolitical conditions remain uncertain in the UK. The UK negotiated a Brexit deal with the EU in December 2020 and shortly afterward the transition period ended. Uncertainty remains on the medium and long-term impacts of Brexit and anticipated future trade deals.
- The COVID-19 pandemic has increased uncertainty in the global economy with unprecedented levels of government intervention, job losses and industry closures.
- The Group has materially increased its cash reserves in the year and as such is better placed to respond to any shocks in the economy.
- The general macroeconomic environment has become more uncertain in the year however specific sectors such as the life sciences tools and biotech markets, in which the Group has significant portfolio holdings, have experienced significant market buoyancy.

Examples of risk

- The success of those portfolio companies which require significant external funding may be influenced by the market's appetite for investment in early-stage companies, which may not be sufficient
- 7% of the Group's portfolio value is held in companies quoted on the AIM market and decreases in values to this market could result in a material fair value impact to the portfolio as a whole

Change from 2019



KEY



Create



Develop



Deliver



Increase



Decrease



No change



New



Very low



Low



Balanced



High



Very high

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

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

Link to strategy

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



Actions taken by management

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

Risk appetite



KPI

- Total equity
- "Net Assets"

Development during the year

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

Examples of risk

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

Change from 2019



Risk management

continued

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

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

Link to strategy

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



Actions taken by management

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

Risk appetite



KPI

- Total equity
- "Net Assets"

Development during the year

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

Examples of risk

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

Change from 2019



Viability statement

The directors have carried out a robust assessment of the viability of the Group over a three-year period to December 2023, considering its strategy, its current financial position and its principal risks. The three-year period reflects the time horizon over which the Group places a higher degree of reliance over the forecasting assumptions used.

The strategy and associated principal risks underpin the Group's three-year financial plan and scenario testing, which the directors review at least annually. As a business which seeks to develop great ideas into world-changing

businesses, our business model seeks to balance cash investments, the generation of portfolio returns and ultimately portfolio realisations. The three-year plan is built using a bottom-up model and makes assumptions about the level of capital deployed into, and realisations from, its portfolio of companies, the financial performance (and valuation) of the underlying portfolio companies, the Group's utilisation of its debt finance facility and ability to raise further capital, the level of the Group's net overheads and the level of dividends.

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

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

Link to strategy

The Group's strategy includes building a portfolio of compelling intellectual-property based companies across the UK, US and 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 advisers have been engaged in the establishment phase of overseas operations. US and Australasian teams have their own in-house legal teams who regularly report to the UK-based General Counsel
- Business continuity plans are in place for the Group and tested regularly
- IP Exec and HR are involved in senior hires for new territories. Senior international personnel include current and former UK employees, encouraging a shared culture across territories
- Video conferencing has temporarily replaced regular travel between the UK and other territories to ensure the Group is aligned in its strategy and culture
- The risk management framework in place across each business unit has been established in each international territory and is integrated into the Group's regular risk management processes and reporting
- Third party suppliers are used for international accounting and payroll services to reduce the risk of fraud within smaller teams

Risk appetite



KPI

- Total equity
- "Net Assets"

Development during the year

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

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

Change from 2019



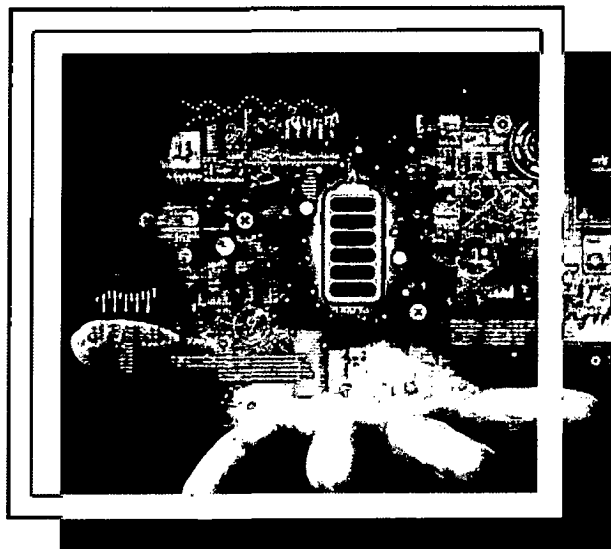
To assess the impact of the Group's principal risks on the prospects of the Group, the plan is stress-tested by modelling several severe downside scenarios as part of the Board's review of the principal risks of the business. The severe downside scenarios model situations where at the end of 2021 the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

year period under consideration to be reduced availability of capital and a weaker macroeconomic environment.

Under these stress-testing scenarios, significant reductions to portfolio investments are made in the following two years to preserve the Group's remaining cash balances. In all scenarios modelled the Group remains solvent at the end of the three-year period and no breach of EIB financial covenants occur.

Based on this assessment, the directors have a reasonable expectation that the Group will continue to operate and meets its liabilities, as they fall due, up to December 2023.

ESG and Responsible Investment



Building a sustainable and viable business

IP Group's approach to ESG in 2020

In 2020 IP Group carried out an ESG materiality assessment to identify the ESG risks and opportunities that matter most to our stakeholders and to inform our strategy and management of ESG issues, including measurement and best practice reporting credentials.

The exercise combined qualitative and quantitative inputs from internal and external stakeholders. Participants were asked to rank certain ESG factors as well as provide views on questions around IP Group's approach to ESG and responsible investment. The report identified a strong weighting towards governance and social issues with environmental being of least concern. It must be highlighted on the latter that qualitative responses did focus on the environmental impact of our portfolio and how we should manage it. Another material issue identified was stewardship of the portfolio. The assessment also recommended non-financial KPIs, particularly ones which may align to executive remuneration, and identified the metrics which underpin these as well as our broader ESG reporting. This, in turn, has led to the creation of our first non-financial KPI related to ESG, details of which can be found on page 20, marking our commitment to ESG issues being at the core of the Group and its performance.

Materiality Matrix

The quantitative data was plotted on a matrix, showing how the respondents, in aggregate, rank the materiality of each issue. Ranking by external and internal groups was largely congruent with no obvious outliers in the data, suggesting that IP Group's views are aligned with its external stakeholders.

Key findings

The following themes emerged from the assessment and will guide strategy during 2021:

Governance and role of IP Group as a responsible investor

Respondents noted that while IP Group has strong governance practices at operational level, measuring the ESG impact of the portfolio was mentioned as a necessary part of governance and an area where the Group has an opportunity to make a real difference. The report highlighted the importance of measuring both the creation of companies that make a positive contribution to the ESG agenda as well as ensuring that portfolio companies follow good ESG practice wherever possible.

Social

There was a positive response to how IP Group approaches its culture and commitment to staff with acknowledgement of the actions taken in the area, suggesting limited risk. However, there was a call for increased clarity around the need to measure and share employee retention and turnover rates along with employee engagement measurement, including net promoter scores and progress on diversity and inclusion. For more detail on this, please see page 71.

Environmental

The clear message related to environmental issues is the importance of the distinction between the direct impact of IP Group plc which is minimal and being actively offset and the indirect impact of the portfolio companies. Almost all recipients noted the importance of looking in more detail at the portfolio businesses and the need to report on their progress towards increased environmental disclosure.

Materiality Matrix



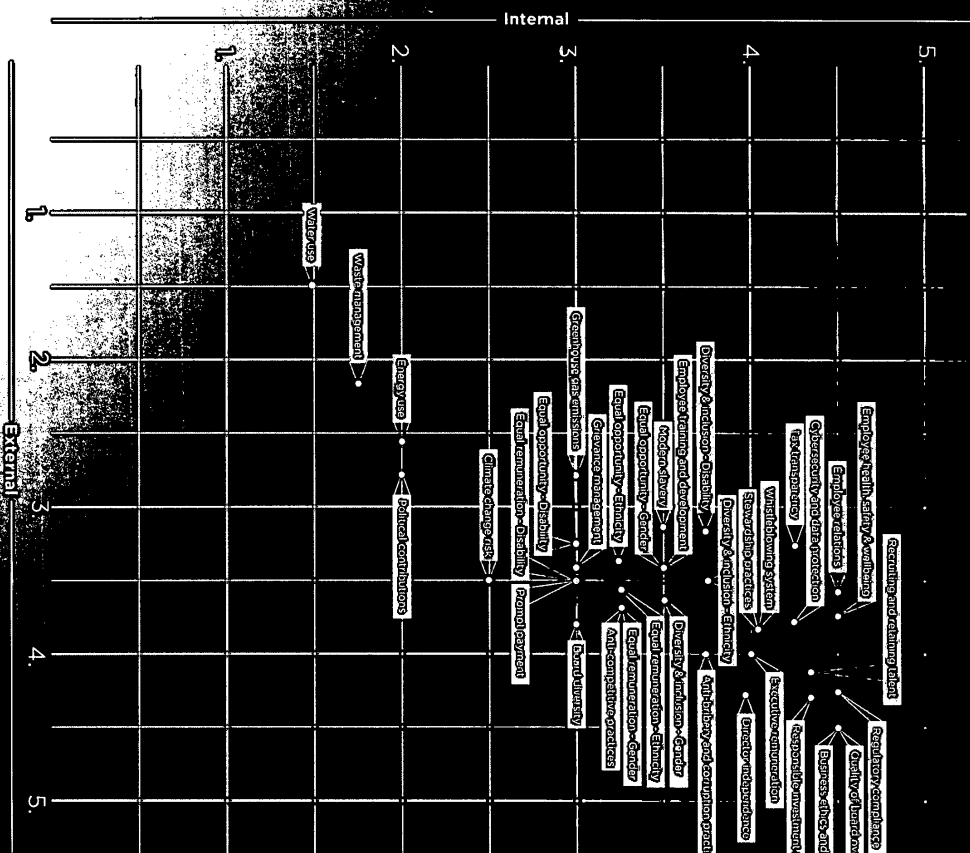
Environment



Social



Governance



ESG and Responsible Investment

continued

Looking to 2021

IP Group has taken the results of the materiality assessment and used them to shape our focus areas for 2021 as our approach to ESG, responsible investment and sustainability continues to evolve. As we align our Ethical Investment Framework to our investment processes, we are aware of the difficulties which may arise from adopting a new ethics approach to our existing portfolio. We are working with all relevant stakeholders to ensure there is an understanding of the aims of our approach and to reassure that this is a transition which we view as taking two years to embed. Our key aims for 2021 include:

- Further integrating ESG into overall IP Group strategy and across all of our business units
- Engaging internal stakeholders on ESG including relevant training
- Improving data collection and reporting particularly around material factors and key metrics as identified by the materiality assessment
- Considering formal environmental targets aligned to net zero at operational and portfolio level
- Engaging our portfolio on key ESG factors such as diversity
- Exploring ways in which the positive impact of our portfolio can be further tracked, measured and disclosed

Measurement

IP Group is committed to measuring its ESG progress with the materiality assessment having helped identify both material issues and appropriate metrics. We have begun data collection around these metrics in line with the SASB framework and, in addition, we have started analysis against the Taskforce for Climate Related Financial Disclosures (TCFD) recommendations. These require that we look at the risks and opportunities presented by climate change to the business and our portfolio. In 2020, the UK government announced its intention to make TCFD-aligned disclosures mandatory across the economy by 2025, with a significant portion of mandatory requirements in place by 2023. Our voluntary response and analysis of climate risk positions us as an early mover in our sector. More details of our response to the TCFD can be found on page 67.

ESG management processes

The Board of Directors oversees the Group's approach to ESG and related policies and addresses specific issues if they arise. Day-to-day accountability for ESG rests with executive management and, in particular, the CEO. An ESG Working Group meets once a month to discuss strategy and its implementation. In addition, the Group's existing investment processes take into account ESG matters through the Ethical Investment Framework (EIF) which is overseen by the Ethics Committee.

Responsible Investment

"Stewardship practices" and "Responsible investment processes" were identified as material to IP Group in the materiality assessment (page 59) and work in 2020 saw an adoption of a more formal way of embedding these practices and processes in our investment decisions.

We focused on ensuring our approach to responsible investment runs through our investment processes, in particular how our EIF aligns with our investment approach and how this impacts our role as an investor. We are aware that implementing a new framework across an existing portfolio and multiple geographies can be challenging and we are looking to evolve our approach. To this end, the Ethics Committee advises on our approach, meeting twice a year under the Chair of Professor Gordon Clark (page 15). It is also available to meet should a particular question arise.

Embedding ESG into our investment processes

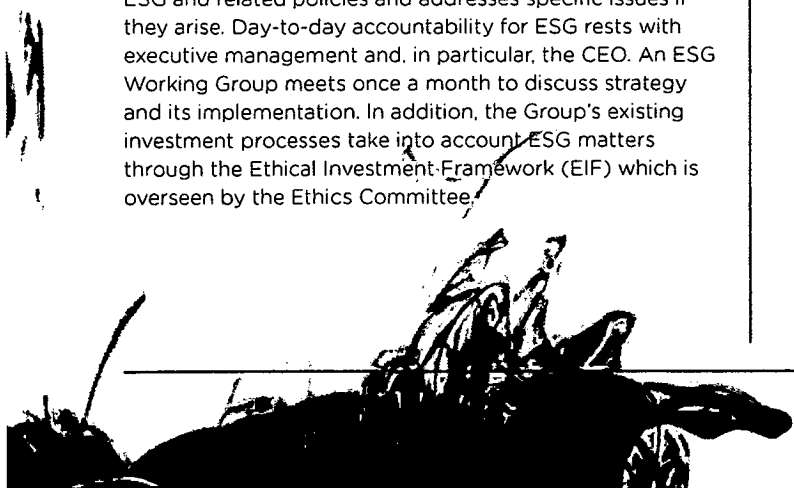
IP Group recognises the importance of stewardship of our ESG aims such as strong governance and encouraging greater diversity across our portfolio.

Following the adoption of the Group EIF and ESG Policy, we have amended our investment process to ensure ethical and ESG considerations are incorporated. These changes include the addition of excluded sectors into our investment agreements with portfolio companies and documentation of ESG assessment in the investment decision-making process.

While many of our portfolio companies focus on positive change in the Life Sciences and Technology sectors, they are growing companies which may need guidance on compliance of all applicable environmental, ethical and social legislation. Our direct involvement in many of these companies allows greater scope to engage with their management teams on these issues.

Responsible stewardship in practice

1. Policy Toolkit which includes template policies for anti-facilitation of tax evasion, equal opportunities and diversity, speaking up policy and a GDPR checklist among others.
2. Encouraging greater diversity in our portfolio
 - As part of IP Group's work around the 'Investing in Women Code' we have increased our focus on gender diversity in the investment process. We are looking at how to improve female representation on investment committees as well as on the boards of our portfolio companies. We have started a data collection exercise to ensure we can measure progress and therefore manage and influence further improvements in gender diversity where needed.



Below shows an example of initial data collected, the aim is to use this data to assess where focus on diversity across the portfolio should lie.

Portfolio Board Data focused on Top 20 Assets and Tech Focus Assets (June 2020):

- Top 20 Assets: 11% female directors, but 55% of companies have all-male boards.
- Tech Focus Portfolio: 4.5% female directors, and 78% of portfolio boards are all-male.

In 2021, our role as a steward is focused on communicating with the whole portfolio to raise awareness of IP Group's growing emphasis on ESG. As a starting point we will distribute a letter to the extended portfolio (208 companies) outlining this and highlighting our ESG Policy and Ethical Investment Framework. The letter will also include an updated data collection survey to further measure ESG standards across the portfolio. This data will build on that collected in 2019, a process which will take place every two years.

How does IP Group and its portfolio map against the Sustainable Development Goals

In order to reiterate our commitment to responsible business practices and investment, IP Group has aligned its portfolio with the SDGs. The SDGs, created by the UN, are the blueprint to achieve a better and more sustainable future for all. Through the activities of IP Group, we address a number of the global challenges identified by the SDGs.

As our portfolio companies have shown in 2020, we invest in businesses that are developing cutting edge solutions in the fight against communicable diseases such as COVID-19 and non-communicable diseases such as cancer and lung disease. These companies can help to change the world through building a healthier society.

The COVID-19 pandemic and response to it has brought increased focus on the climate emergency and how we tackle it. Meeting the goals of the Paris Agreement set five years ago requires an energy transition and the finance behind it. IP Group identifies companies with technologies that can lead the transition and provides funding and support.

In addition, IP Group backs and supports technology companies that are supporting the digital transformation as we move to a more digital world and efficient and equitable working practices.

We estimate that the Group and/or its portfolio companies are currently influencing all 17 SDGs. In 2020 we have continued to look at how the SDG targets are associated with individual goals and how our portfolio companies can help achieve these targets.

There continues to be a concentration on the six most relevant SDGs to the Group (as detailed below), with the inclusion of SDG 8 - 'Decent Work and Economic Growth' due to contributions towards economic growth and productivity through technological innovation.

The table on page 62 outlines in more detail how our focus companies, including the top 20 by value, map to the targets. Inclusion can change as it aligns with the focus companies as outlined on page 28.

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

Measuring progress

As part of the progress towards measuring the impact of IP Group's portfolio in 2020, we have looked at the proportion of IP Group's NAV as it aligns to the SDGs by determining whether the business activities of the portfolio companies meet the targets of any set SDG.

Methodology

We have taken the Top 20 assets by NAV from IP Group's portfolio as of 31 December 2020 which account for 74% of the portfolio. Out of the 20 companies, 18 meet the criteria, meaning 66% of the Top 20 are aligned to relevant SDGs:

Top 20 by SDG alignment

46% of top 20 aligned to SDG 3

17% 'Strategic Opportunities' aligned to SDG 3

30% Deeptech & Cleantech aligned SDG 7, 8 & 9

At group level we:

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



ESG and Responsible Investment

continued

THEMATIC FOCUS	PORTFOLIO COMPANY	SDG TARGET	SUSTAINABLE DEVELOPMENT GOAL	
Deeptech DATA ANALYTICS CYBER DEFENCE TECH TO IMPROVE EFFICIENCY	AMSL Innovations	11.2 Affordable and sustainable transport systems	11 SUSTAINABLE CITIES AND COMMUNITIES 	
	Aqdot	11.3 Inclusive & sustainable urbanisation		9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 
	Featurespace	11.6 Reduce the environmental impact of cities		
	Garrison Technology	9.1 Develop sustainable, resilient & inclusive infrastructures	8 DECENT WORK AND ECONOMIC GROWTH 	
	Ultraleap Holdings Ltd	9.4 Upgrade all industries and infrastructures for sustainability		
	C-Capture	9.5 Enhance research and upgrade industrial technologies		
	Mixergy	9.C Universal access to ICT		
	Oxbotica	8.2 Achieve higher levels of productivity of economies through diversification, technological upgrading and innovation.		
	Oxford Sciences Innovation plc			
	Uniformity Labs			
WaveOptics				
Import.IO				
Chromosol				
Yoyo Wallet				
Cleantech RENEWABLE ENERGY SUSTAINABLE TRANSPORT ENERGY TRANSITION	Azuri Technologies	7.1 Universal access to modern energy	7 AFFORDABLE AND CLEAN ENERGY 	
	Bramble Energy	7.2 Increase global percentage of renewable energy		13 CLIMATE ACTION 
	C-Capture	7.3 Double energy efficiency		
	First Light Fusion	7.A Promote R&D and investment into cleantech		
	Mixergy	7.B Expand & upgrade energy services in developing countries		
	Oxbotica	13.2 Integrate climate change measures into policies & planning		
	Oxford Nanopore Technologies	13.3 Build knowledge & capacity to meet climate change		
	Technologies			
	RFC Power			
Life Sciences DIAGNOSTICS THERAPEUTICS ONCOLOGY DIGITAL HEALTH	Artios Pharma	3.3 By 2030, end the epidemics of AIDS, tuberculosis, malaria and neglected tropical diseases and combat hepatitis, water-borne diseases and other communicable diseases	3 GOOD HEALTH AND WELL-BEING 	
	Centessa (Apcintex)	3.4 By 2030, reduce by one third premature mortality from non-communicable diseases and promote mental health and well being		
	Crescendo Biologics	3.D Strengthen the capacity for early warning, risk reduction and management of national and global health risks.		
	Diurnal Group			
	Enterprise Therapeutics			
	Hinge Health			
	Ieso Digital Health			
	Inivata			
	Istesso			
	Microbiotica			
	Mission Therapeutics			
	MOBILion			
	Navenio			
	Oxford Nanopore Technologies			
	PsiOxus Therapeutics			
Pulmocide Ltd				

* Companies based on 2020 'Focus' companies

Health

leso provides world-class digital mental healthcare through flexible and confidential 1:1 therapy, digital tools and partnerships. The company helps people gain effective help, where and when they need it.

Mental healthcare lags far behind physical healthcare, with far-reaching human, societal and economic consequences. Ieso brings together expert clinicians, scientists and digital technologists innovating together to understand the crucial learnings which are available in every treatment session. By turning them into data and researching patterns over many thousands of treatment sessions, they are able to see what makes people ill and how to help them get better. Already, putting this knowledge into action means that patients treated are more and more likely to recover.

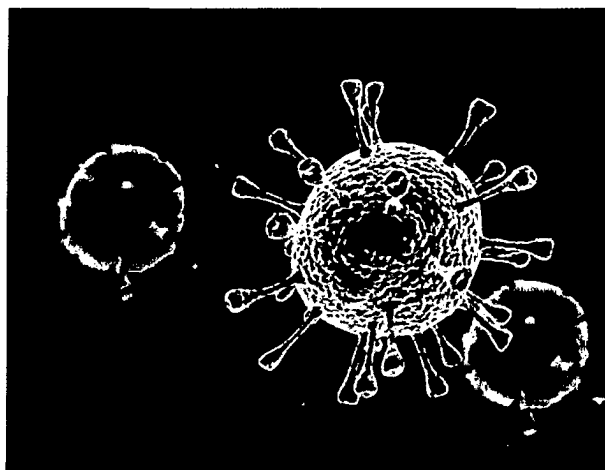
Ieso partners with:

- **NHS:** Ieso has a track record in improving patient care beyond national targets and has already treated more than 70,000 patients through over 400,000 hours of therapy under the NHS IAPT programme (Improving Access to Psychological Therapies). Ieso treatment is currently available across 49 NHS clinical commissioning groups and 27 NHS providers.
- **Employer healthcare:** Ieso recently signed a major contract with a globally renowned telecommunications company to provide mental healthcare to its employees, and is actively building activities with corporate and insurance companies.
- **Digital tools:** Combining collective knowledge and smart technology, data-led clinical insights are enabling the company to develop new digital tools to drive better quality and consistency of care across the globe. Ieso will start bringing these products to market in 2021 alongside commercial partners, helping other organisations to transform their treatment pathways.

Responding to COVID-19

In the weeks following the announcement of the UK lockdown in March 2020, Ieso identified an 84% increase in referrals to its 1:1 online CBT service, relative to the same period in 2019. Up to a third of patients mentioned COVID-19 as a reason for presenting for mental health treatment and patient worries about viruses also increased, with up to 15% of in-session worries about COVID-19.

Using digital tools to provide mental health services, such as Ieso's online talking therapies, can help widen availability and accessibility at a time of urgent need. It also opens up the potential for gaining data-led insights that improve patient outcomes.



Digital Economy

Ultraleap is a next generation user interface company aiming to deliver interaction solutions that remove the boundaries between the physical and digital worlds. The company offers world-leading hand tracking technology and unique virtual touch technology that uses ultrasound to generate tactile sensations in mid-air, creating virtual buttons, switches and other objects that can be felt, but not seen.



With COVID-19 bringing increasing attention to potential infection through public touchscreens, the touchless self-service kiosk market has seen a remarkable increase in demand and represents a significant opportunity. In response to the pandemic and the demand, Ultraleap launched TouchFree, a new, award-winning, touchless solution that allows customers to retrofit existing interactive screens and make them touchless. The company is involved in programmes for multiple-use-cases including quick-service restaurants, airports, train stations, elevators, ATMs, and smart buildings.

In the XR (extend reality) market Ultraleap signed a multi-year contract with Qualcomm Technologies to integrate its Gemini hand tracking technology in Qualcomm's Snapdragon XR2 5G chipset in September 2020. Another feature of the pandemic is the growth in demand for people to communicate virtually so XR technology presents many opportunities for the future. Ultraleap's interface has been highlighted as enabling a 'seamless interaction through a natural connection between people and technology'.

Ultraleap: TouchFree application turns existing screens into touchless ones

ESG and Responsible Investment

continued

Climate change

Mixergy is dedicated to developing intelligent solutions which address the challenges around the electrification of heat whilst simultaneously adding flexibility to the energy system. It is achieving this through cost-effective, energy-efficient and convenient solutions for householders, installers and developers. Mixergy's flagship product is the "Mixergy Tank", a smart hot water tank which saves energy by only heating what you need whilst providing a reliable energy storage service to utilities and network operators.

The Mixergy tank has been launched nationally through British Gas and is now delivering over 1MW of flexibility to National Grid which is being monetised through Mixergy's powerful software platform. Mixergy's customers are benefitting through intelligent sensing and control which provides visibility of how much hot water is in each tank at all times.

The 2020s is the decade to decarbonise heat and the role that smart and connected hot water cylinders can play in helping social landlords to make the challenging transition to low carbon heating. Ambitious policy and tightening regulations are rapidly accelerating the uptake of Mixergy tanks in new build housing where systems can be easily installed alongside heat pumps, solar PV and solar thermal, as well as conventional boiler or electric heating systems.

But the greater challenge lies in the decarbonisation of heat in existing housing stock. Mixergy supports social housing providers in the transition from the old to the new with smart, connected hot water storage which gives tenants a better, faster and cheaper solution for their hot water needs whilst also reducing carbon emissions.

Highlights:

- The Mixergy tank can also be easily programmed to take advantage of off-peak tariffs or new dynamic time-of-use tariffs.
- For tenants on mains gas, Mixergy has been demonstrated to save up to 21% on gas consumption through better, smarter control of the cylinder set-point temperature, and on average 12% reduction in gas consumption in hot water production. (Verified by the Energy Savings Trust)
- Aside from these direct savings, Mixergy tanks provide a zero-cost way for residents to improve their understanding of energy efficiency by being able to interact through a simple and intuitive gauge or through the Mixergy App.
- In 2020 Mixergy worked on a case study with Ocean Housing with the project producing – 35% reduction in running costs from £125 to £80 per year, 16% reduction in carbon emissions, 12% reduction in energy consumed.

Bramble Energy, has produced the world's most scalable hydrogen fuel cell. It is the only technology capable of producing gigawatts of hydrogen fuel cells using existing global manufacturing resources, dramatically reducing the time to market and investment needed versus existing fuel cell designs. Hydrogen fuel cells generate electric power from an electrochemical reaction rather than combustion, thereby eliminating carbon emissions from the power unit and producing only water and heat as by-products.

Point two of the UK's 10-point plan for a green industrial revolution announced in November 2020 focused on "Driving the Growth of Low Carbon Hydrogen" and laid out a timeline of target milestones for hydrogen technology in the UK. Bramble is well placed to be at the forefront of the adoption of hydrogen as a mainstream clean technology.

Highlights:

- **Pioneering hydrogen vehicles and pure electric company fleets:** Bramble Energy's PCBFC™ innovative lightweight and cost effective fuel cell is set to bring even further transformation to the mobility and automotive industries. Passenger cars powered by hydrogen fuel cells, either as range extenders or as prime movers have rapid refuelling and high peak power densities. Hydrogen fuel cells are also becoming a primary power source for ships, trains, buses and forklift trucks.
- **Off grid power solutions:** The silent and portable SD range offers solutions for powering long-term operations. The system works with all Industrial Grade Hydrogen and has no GHG emissions or particulates at point of use. It is a net zero power solution displacing diesel generators with clean hydrogen.



Environment

We believe the indirect environmental impact of the Group to be positive when considering the potential of our portfolio companies to influence major global challenges addressed by the UN's 17 SDGs. However, we also consider the direct negative environmental impact of IP Group plc and its subsidiary companies, including through emissions caused by staff activity (e.g. travel) and premises and are committed to ensuring these remain as low as possible. We aim to ensure that the business operates in an environmentally responsible and sustainable manner.

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 2020 to 31 December 2020, in line with its financial reporting period. These requirements include an overview of GHG emissions, intensity ratios, energy consumption and energy efficiency actions taken by IP Group over the reporting period for operational office locations.

As in previous years, IP Group engaged Rio ESG (formerly known as Ditto Sustainability) to independently calculate and provide assurance of energy, water and waste performance information, including GHG emissions. The greenhouse gas inventory has been calculated in accordance with ISO14064 and the World Resources Institute's greenhouse gas protocol. The scope of the reporting is in line with IP Group's operational boundary. IP Group rent all office spaces and as such have limited capacity to implement their own operating procedures. Emissions do not include any investment subsidiaries. Overall, in 2020 IP Group's total emissions have reduced by 86% and carbon intensity has decreased by 84.3% tCO₂e/employee and 83.7% tCO₂e/m² compared to 2019.



Carbon offsetting at Lowther Whale, Penrith, UK

The data presents a marked decline in carbon emissions since IP Group began reporting in 2016. A significant proportion of this change is attributable to a decrease in business travel, particularly rail travel and flights, which remain the largest contributor to the Group's carbon footprint. Reduced mobility as a result of the COVID-19 pandemic has had a noticeable effect on the business globally from March 2020 explaining the decrease in business travel and associated emissions in 2020. As in previous years, increased use of teleconferencing has reduced the need to travel for business purposes.

Additional reasons for reduction include increased accuracy in data reporting, as in earlier years IP Group originally provided economic data, which requires a series of assumptions in order to provide an estimation of the overall carbon figure.

Total emissions breakdown by scope 2020

	2020 Tonnes CO ₂ e	2019 restated ⁴ Tonnes CO ₂ e
GHG emissions	138.8	973.9
Scope 1 ⁽¹⁾	–	7.8
Scope 2 (location-based) ⁽²⁾	20.6	113.8
Scope 3 ⁽³⁾	117.8	852.3
Carbon offset via woodland projects	(138.4)	(973.9)
Total GHG emissions post carbon offset	–	–

(1) Scope 1 being emissions from the Group's combustion of fuel (direct emissions) and operation of facilities.

(2) Scope 2 being electricity (indirect emissions), heat steam and cooling purchased for the Group's own use.

(3) Scope 3 being all indirect emissions (not in scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions 2020 (96 employees and 1920m² office space).

(4) Restated *increase compared to 2019 reported figure is due to carbon calculation methodologies.

ESG and Responsible Investment

continued

Intensity ratio

In order to provide context to IP Group's emissions year-on-year we have calculated the total carbon in relation to two relevant metrics, floor area (m²) and full time employees (E), which give an indication to the size of the organisation and its potential impact on the resulting carbon emissions. The below tables reflect the intensity ratios for the full reporting period and for 1 January to 31 March 2019/20 to compare like-for-like data prior to full COVID-19 lockdown measures. Overall, in the period of January - March IP Group's total emissions had reduced by 49.6% and carbon intensity has decreased by 44.8% tCO₂e/employee and 41.7% tCO₂e /m² in 2020 compared to the same period in 2019.

	Carbon tCO ₂ e	No.E	m ²	tCO ₂ e/Emp	tCO ₂ e/m ²
2020	138.8	101	1,920	1.37	0.07
2019	973.9	111	2,245	8.77	0.43*

	Carbon tCO ₂ e	No.E	m ²	tCO ₂ e/Emp	tCO ₂ e/m ²
2020 (01/01-31/03)	133.4	101	1,920	1.32	0.07
2019 (01/01-31/03)	257.5	111	2,245	2.39	0.12*

*Restated to reflect consistent methodology basis with 2020 GHG emissions.

Total Global Energy Usage 2020

Scope	kWh
Australia	1,528
United Kingdom	44,160
United States of America	21,477

Efficiency Actions

- Motion sensor lights are installed in office buildings to maximise energy efficiency.
- Majority of appliances and large office equipment are maximally energy efficient.
- Staff engagement and education have been provided via Rio Engage on energy efficiency, renewable energy and energy monitoring.

Offsets

Despite the relatively low direct negative environmental impact of the Group, we have, for the third year, offset 100% of the Group's direct 2020 CO₂ equivalent greenhouse gas emissions. As in 2018 and 2019, we have done this through a programme of supporting UK woodland creation certified under the Government's Woodland Carbon Code through Forest Carbon.

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

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

The 2020 credits will contribute to our project at Lowther, near Penrith UK. This is converted arable and grazing land to sustainable forestry. There are 3079 trees planted over 2.16 hectares accounting for 1042 tonnes CO₂. The project brings additional benefits by helping flood mitigation and improving water quality.

Progress report **TCFD**

Task Force
Climate-Related
Financial
Disclosures

Governance

Disclose the organisation's governance and climate related risks and opportunities.

IP Group's approach to ESG including climate change and related policies is overseen by the Board of Directors and accountability for sustainability rests with executive management and, in particular, the Chief Executive Officer. In addition, the Group's existing investment processes take into account ESG matters including matters around climate change through the Ethical Investment Framework which is overseen by the Ethics Committee. IP Group's operational oversight of climate change is covered by its ESG and Sustainability Policy. The Group has an ESG Working Group which meets once a month and oversees the implementation of related work including climate related matters. (see page 58 for ESG management)

Strategy

Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material.

This year IP Group, in line with TCFD recommendations, undertook a climate-related materiality analysis of the prevailing physical and transitional risks and opportunities facing the Group. This was to establish a baseline assessment of the impact of climate-related risks and opportunities on the business and its strategy. This will ensure the identified risks are minimised and high impact opportunities are extensively explored.

We have also mapped stakeholder perceptions of climate-related risks and opportunities to understand where greater engagement on topical themes is needed to align with the TCFD recommendations. These findings will feed into agendas set by the ESG Working Group as well as the Audit and Risk Committee.

Risk Management

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

The Group's management and Board regularly consider emerging internal and external risks and opportunities which have the potential to affect the Group in the short, medium and long term. By undertaking a strategic review of climate-related risks and opportunities, including the magnitude of their impact and likelihood, we are able to focus on those which are most material to the resilience of our business. A review of climate-related risks and opportunities will take place at least annually for consideration by the Audit and Risk Committee.

Metrics & targets

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

We identify year-on-year trends in our scope 1-3 GHG emissions and intensity ratios to assess and manage the likely impact of climate-related risks and opportunities on our business. Although we have seen a decrease in overall carbon emissions in 2020, we largely ascribe this to the remote-working patterns and travel restrictions implemented in response to the COVID-19 pandemic. Reduction in our scope 3 emissions, particularly transport, remain a focus for IP Group given that scope 3 emissions accounted for 85% of total emissions in 2020. Using historic GHG emissions, carbon footprints and relevant external climate change data, IP Group aspire to set meaningful targets in 2021 to reduce climate related-risk and maximise climate-related opportunity.

More information can be found in our 2020 TCFD report: www.ipgroupplc.com

ESG and Responsible Investment

continued

Social

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

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

Governance

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

Policies

Copies of the Group's policies in relation to anti-corruption and bribery, anti-slavery, modern slavery, environmental, equal opportunities and diversity, prompt payments, speaking up, anti-facilitation of tax evasion, data protection, health and safety, sustainability and ESG, ethical investment, stakeholder engagement and "treating customers fairly" can be found in the ESG section of the Group's website: www.ipgroupplc.com.

Cyber security

Cyber security reports are regularly provided to the Audit and Risk Committee and, on request, to the plc Board. The committee takes a keen interest in the measures that are in place and the roadmap for future developments. The Group

carried out a follow-up cyber maturity assessment in late 2020 with the PwC internal audit team. The report includes recommendations that IP Group will act on to further improve governance, system and infrastructure security. The Group will continue to assess cyber security on an annual basis to ensure that best practice is followed.

The focus for cyber at the Group in 2021 will be on standardising the framework, KPIs and reporting across all regions in which the Group operates. The Group conducted a GDPR audit in 2020 with auditor PwC. PwC rated the outcome as "satisfactory", the highest rating that can be achieved. To further ensure that the Group was capable of responding swiftly and comprehensively to a Subject Access Request (SAR), an exercise was carried out in late 2020 with satisfactory results. The Group received no SARs in 2020.

IP Group has been awarded Cyber Essentials certification. IP Group commissions regular external penetration testing on IT infrastructure and has implemented multiple cloud and on-premises technologies to monitor endpoints, network traffic and mitigate the risk of intrusion and data breach. The Group carries out diligence to ensure that third party suppliers are maintaining good standards of security.

IP Group continues to ensure that all members of staff receive annual mandatory cyber security training with additional training delivered in reaction to emerging external factors, such as working from home during lockdown and in reaction to increased levels of phishing attacks.

A quarterly phishing test takes place and staff that fall short of expectations are contacted to carry out additional training.

The Group takes the threat of a cyber incident very seriously and endeavours to mitigate the risk wherever possible. The Group maintains a business continuity plan and reviews this plan annually. This plan includes playbooks to react to incidents such as a data breach or other cyber incident.

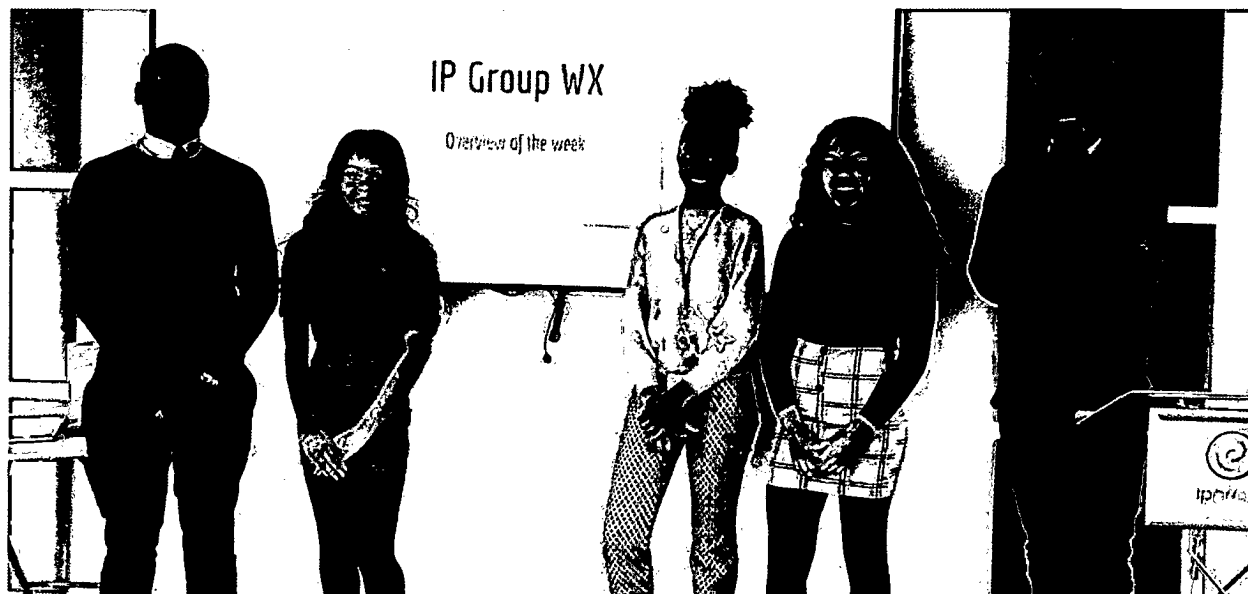
Community engagement

In August 2020, the Group's partnership with education charity Generating Genius came to the end of its term. While the search for a new partner charity was delayed due to COVID-19 disruptions, the charity liaison team sought to support charities with individual contributions and engage staff, details of which are below:

Crossing Continents

Between May and June, IP Group held a virtual "Crossing Continents" challenge to raise funds for Médecins Sans Frontières. IP Group staff were challenged to collect donations for the charity's COVID-19 appeal while collectively walking, running, or cycling 3,000 K. Our staff raised £1,930, which was matched and further supplemented by a base donation of £5,000 by the Group for a total of £8,860. Thirty-four employees from around the world participated in the challenge, covering 7643.56 K between them.

Participants in the Crossing Continents challenge were able to share photos of their experience with colleagues.



Generating Genius students at work experience day

The Felix Project

With the Walbrook Office closed, the Crisis Response Group and Charity teams agreed that a portion of savings from running the office should go to a local charity. A donation of £3,460, representing three months of office expenditures, was made to The Felix Project, a London-based charity that collects surplus food from commercial supply chains and redistributes it to schools and charities.

Generating Genius

The charity aims to address the attainment gap of black, Asian and minority ethnic (BAME) students compared with other demographics within STEM (science, technology, engineering and maths) subjects and related industries by supporting talented and able students over a prolonged period of time with a mix of academic and professional engagement.

IP Group was also able to host six young people in February 2020 for a work experience week. The students were set the challenge of developing a business idea and pitching it to a panel of Group staff, while simultaneously attending a series of meetings to learn about the business.

During the year, the original cohort of 50 students supported by the Group's donation completed their first year of the Uni Genius programme. Due to COVID-19 and lockdown, students were not able to sit their AS-Level exams. However, 23 of the 50 students were awarded predicted grades by their schools. These include:

- 18 A-A's in Maths
- 5 A-A's in Further Maths
- 9 A-A's in Biology
- 13 A-A's in Chemistry
- 7 A-A's in Physics

Post year end

In the post-year-end period, the Group held a staff vote on its future charity partnership. A shortlist of four potential charities was chosen by the charity liaison team from an original pool of staff-sourced suggestions and proposals made available for the final vote.

The chosen charity was IntoUniversity, an educational charity that supports young people in accessing higher education or other ambitions through a network of learning centres spanning the UK.

A list of the other charities that IP Group has supported to date can be found on the Group's website: www.ipgroupplc.com.

II

Every member of the company that I met was extremely friendly and interesting conversations were held and advice given in terms of academic goals and options, whilst them giving us their own experience of their route to success. I can say that I have a clearer vision in the way that I want to go in terms of my future career."

(Student when asked about the best part of their work experience)

Culture

Aligning our people with our purpose

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

Pandemic response

As with most companies, 2020 was dominated by our response to COVID-19. In response to the unique challenges posed by such a fundamental change to both the external environment and our own ways of working, we made a conscious choice to de-prioritise some of our original plans.

This included delaying the start of our planned project to form a new Executive Committee, which after kick-off was then further delayed by the comprehensive Executive Leadership succession planning exercise undertaken, which is outlined in the Nominations Committee report on page 100. We also postponed our work on the re-definition of Values, pending an expected longer-term change in our ways of working.

Resource was instead deployed in ensuring all of our people were (and remain) supported, protected and productive during a period of significant disruption. Of course, we worked hard to ensure all of our people were provided with the range of tools required to shift to a home-based working pattern.

We also recognised the need to do as much as we could to support the wellbeing of our people. The capability of our people is our greatest asset, and we place just as much importance upon supporting our team as we do on the development of our portfolio companies.

As a result of this focus, we implemented a "mind, body, spirit" model to the provision of support, ensuring our people were aware of the existing benefits and support available to them and implementing new support mechanisms where required. This approach continues to develop.

During 2020, highlights included:

- Providing access to our internal Mental Health First Aider as a first port of call for struggling employees, as well as mindfulness training and support for all of our people.
- Keeping our employees active by providing regular free sporting and wellness activities, including regular online exercise and yoga sessions available for employees and their families. Keeping our people healthy through funded flu vaccinations, supplementing our existing Vitality Health and BUPA dental support.

- Equipping our people to cope with changes in working patterns through sustained resilience training and support and mitigating some of the stresses caused by the pandemic through the offer of hardship loans to all employees.

In order to maintain our positive working culture during the extended period of working from home, we significantly increased both the breadth and frequency of employee communication. A bi-weekly cycle of All Staff meetings was supplemented by our weekly Portfolio Update Programme to ensure our people remained close to the business. Our CEO and our People Director also deliver separate all-employee communications on a weekly basis, respectively ensuring our people were (and remain) aware of commercial progress and the range of practical and emotional support available to them.

Retention, engagement and performance have all improved significantly through 2020. This has created a solid platform for future improvements in our culture, which in turn will enable further improvements in performance.

Having reacted quickly and decisively to support our people through the early stages of the pandemic, our focus in 2021 will be on how we make the most of the lessons we have learned. As the world returns to more normal patterns of working in 2021 and beyond, we'll seek to identify and implement a best of both worlds approach - retaining the flexibility and agility of a remote approach whilst focussing on effective ways to provide our people with value-add face to face interaction in a safe, secure environment.

The sections below provide more detail on our progress throughout 2020, and our ambition for the coming year and beyond.

Diversity and inclusion

Creating a diverse and inclusive working environment is central to our culture at IP Group. We are, of course, committed to equal opportunities when it comes to recruitment, selection and development. But it's not only a focus because it's the right thing to do. Our people are likely to be happier and more productive if they can be themselves at work. Our success depends upon the quality of investment decisions we make and the advice we give, both of which can only be improved when influenced by a wider range of representative views. Therefore, inclusion of a broad range of experiences, characteristics and outlooks within our business is also a way we can improve our performance.

As set out above, our ambition to improve gender diversity in our senior management team as part of the formation of a new Executive Committee commenced later in the year than we originally planned. As a result, at 2020 year-end, our gender balance across the business remained broadly comparable with that reported for 2019.

Gender split as at 31 December 2020

	Male		Female	
	#	%	#	%
Board	7	70%	3	30%
Senior Leadership Team	8	100%	0	0%
Senior Managers/ Partners	14	67%	7	33%
Combined SLT	22	76%	7	24%
All employees	55	54%	46	46%

We have, however, made progress in this area. The project to form a new Executive Committee has since concluded, with final appointments to the new Committee to be made prior to the publication of the Group's half-year results. At the time of writing, eight of the eleven intended posts on the Committee have been appointed, and of these appointees two are female, increasing representation to 25%.

Two of the remaining vacancies are Employee Executive roles. The primary purpose of these roles is to bring more diversity of thought into the decision-making processes at the top of IP Group. We expect those appointed will be able to utilise this broader perspective (including their experience and view as an employee) to offer constructive and challenging input to both strategic and operational decisions. The selection process for both of these roles has now begun internally, with a focus on both performance, track record and demonstration of the strengths, perspectives and experiences that we believe will supplement those in the existing team.

Our internal 30% Club group has continued to meet through 2020, with the aim of promoting gender equality within our company. During the year, the group continued to sponsor an internal mentoring programme. The programme came to a planned completion in summer 2020. Whilst the programme was generally positively received, following input from mentees we have not re-launched. Rather, we are assessing whether a more bespoke development programme for individuals might be more beneficial in future, and we will incorporate this work into our wider plans for employee development in 2021 (see below).

The 30% Club also continued to sponsor an 'Inspirational Speakers' series. However, the series (which relied on live sessions with interesting female speakers) was paused early in 2020, as a result of the significant change in working patterns. A one-off remote session, featuring Dr Jing Zhang, the founder of Aqdot was well received, as was a session with Tanni Grey-Tompson, who spoke as part of our focus on Resilience and Wellbeing. Further sessions in this series are already planned for 2021.

Of course, our commitment to building a diverse and inclusive organisation extends beyond the focus on gender. We are committed to ensuring that all people feel included and able to contribute, and we aspire to reflect this in the shape and structure of our business.

As we move into 2021, our dual focus is on improving recruitment, promotion and the support available to under-represented groups. We will also ensure that our internal decision-making committees below Board and Executive Committee level (including our Capital Allocation Committee and our various Investment Committees) include a more diverse range of experience and capability. We aim to report significant progress in these areas in our 2021 Annual Report.

Supporting diversity and inclusion: 2021 and beyond

- Diversity Listening Project (H2 2020)
- 100 Black Interns commitment and appointment
- Revised recruitment and selection policy
- Positive language guidelines developed
- Inclusion of team diversity metrics in our non-financial KPI
- Commitment to greater diversity on all decision making forums
- Diversity Oversight Committee constituted, and expert external advisers appointed

We are planning to support these development areas by initiating regular data collection on a wider range of characteristics across our employee group. This will enable us to better understand the existing profile of our population, identify any issues or concerning trends more quickly, and target improvement in key underlying measures.

The exercise will be wholly voluntary and, once launched, our people will be able to change or remove information on a self-serve basis at any time.

Finally, we take our responsibility to promote Diversity and Inclusion in our portfolio equally seriously. As a long-term investor, focussed on building successful companies over the longterm, we believe our portfolio companies should share our commitment and focus in this area, and plan to work proactively with our portfolio to ensure that this is the case.

Listening to our people

As set out throughout this report, our long-term success is highly dependent upon the quality of our team, and their willingness to contribute to our success over the long term. Ensuring our people remain engaged, motivated and aligned with our ambition to make a positive impact upon the world is critical. We therefore place a high level of importance upon both hearing from and responding or reacting to our employees on a wide range of issues.

Culture

continued

During 2020, we continued with our regular cycle of meetings with IP Connect, our employee forum. IP Connect, which is sponsored and attended by Aedhmar Hynes as the Designated Non-executive Director for workforce engagement ("Designated NED"), acts as a conduit between the Board and the wider team. During 2020, the members of the group and their constituents provided feedback on a broad range of topics (see further detail on page 74). We also gather employee feedback more widely via our annual Engagement survey and regular updates via a Pulse survey cycle to check on engagement levels. During 2020 we ran four of these surveys.

In addition to our regular feedback cycle, we engage regularly with our employees' opinions on specific topics. For example, during 2020 we engaged our people on how we could improve the experience of employees with diverse characteristics through a listening exercise, surveyed on how and where our people might prefer to work post-pandemic and engaged directly (as well as with IP Connect) on how we could simplify reward. Feedback in all of these areas has been critical to building our future approach(es), in a way that ensures continued engagement across the whole team.

Listening to and then acting upon the feedback of our people is something we are committed to continuing as we move into 2021. IP Connect will continue to meet regularly, representing the views of our employees to the Executive Directors and wider Board. Outside of this forum, our employees are able to easily access our executive team, wider leadership group or the HR lead, and are encouraged to do so.

Engaging our team

Making sure our team is engaged and aligned with our purpose has always been important to us. This became even more important during 2020 with the move to home-working and virtual meetings inevitably weakening the natural ties with and between our people.

We reacted to this by strengthening the focus on the positive benefits of working with IP Group – in particular on aligning our people with our overall purpose, through increased communication.

We implemented a cycle of weekly live, virtual communications, combining our Portfolio Update Programme sessions with our All Staff meetings. The Portfolio update sessions give our people the opportunity to learn about specific portfolio company technology and performance direct from our investment teams. The All Staff meetings ensure regular updates from our executive directors and other key leaders and team members on the performance of our own business and more specific issues relevant to a wide range of our people.

We continue to believe that we can help to inspire exceptional people to do exceptional things through reward. During 2020 we consulted with staff on changes they would

like to see to reward structures and packages, with the aim of increasing engagement in this area. We concluded that a focus on simplification and evolution within the same overall reward framework would strike the right balance. These evolutionary developments will be implemented and communicated to employees throughout 2021.

Implicit in our approach is the belief that employee engagement is far more than just a number. We aspire to build a team that is genuinely aligned with our core purpose. That said, we have made significant advances in measured levels of engagement in 2020. We believe the +25 point gain in eNPS (see below), delivered against a wider environment of uncertainty and change, demonstrates this.

We were also pleased to see a reduction in unplanned turnover in 2020. Whilst 17 colleagues (14%) left the business overall, only four leavers were unplanned. Encouragingly, two of those (50%) left to join portfolio companies, and so will continue to positively contribute to our future.

In 2021, our objective is simply to maintain or slightly improve this high level of overall engagement, building on the success of 2020. We will continue to survey our people regularly to measure progress. More importantly, one of the lessons that we have learned through 2020 is the power of more frequent communication, regularly delivered via accessible channels. This is something we will maintain as we move forward and seek to build on our existing cycle of weekly virtual/email communications with additional opportunities for face to face interaction as we pivot into post-COVID ways of working.

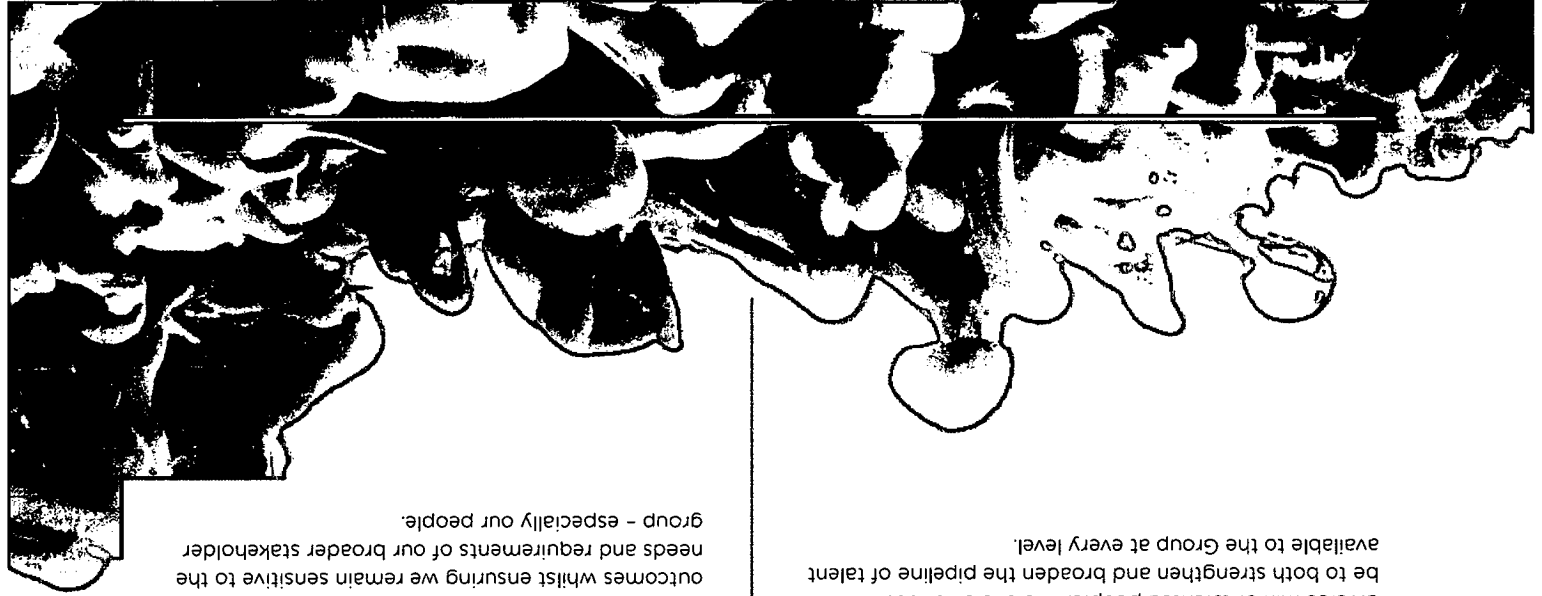
eNPS: Improved from -2 to +23 during 2020

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

Building skills and capability

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

All employees who are involved with the regulated business of managing investment transactions receive compliance and anti-money laundering training, with periodic refresher courses. All of our people also participated in Cyber Security, GDPR and anti-money laundering training.



Protecting Our People

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

The primary purpose of the Group's health and safety policy is to enable all of the Group's people to go about their everyday business at work in the expectation that they can do so safely and without risk to their health. During the year ended 31 December 2020, no reportable accidents occurred under UK Health and Safety regulations.

Our overall ambition in 2021 is to develop our approach in three key areas (below):

Diversity Development

Increase the diversity of thought and experience within our teams and ensure everyone feels included within our business.

Make sure we take advantage of the broad experience within our current population to improve our decision making.

Redesign critical processes to improve inclusion and diversity.

Individual Development

Invest in the development of our people. Embed a dual focus on both professional capability and broader skills.

Aim to ensure our people are fully equipped to perform in role, and ready to progress within our business when the opportunity presents.

Organisational Development

Improve the operational effectiveness of the business.

Facilitate the organisational and structural changes needed to optimise both culture and commercial outcomes whilst ensuring we remain sensitive to the needs and requirements of our broader stakeholder group – especially our people.

In 2020, we also started the process of improving our broader training offer. In doing so, we aim to create a positive, adaptable environment within which our people can thrive as individuals whilst positively contributing to our performance. Development opportunities offered in 2020 covered topics as diverse as ESG investing, Finance/Accounting and Genetics and Neuroscience. We supported the business with a significant investment in Wellbeing training, including the provision of weekly Yoga and fitness classes. Mindfulness training and support, Resilience training and a series of sessions on mental health, stress and building alternative perspectives. Our commitment to remaining safe, legal and compliant across the business was supported through the provision of Anti-Money Laundering training.

This development process will continue in 2021, with a further increase in the level of investment we make in discretionary training. Our programme for 2021 will include a focus on Leadership skills, as well as targeted coaching and mentoring.

We hope and expect this investment in skills to result in an increase in the proportion of our team who feel ready for promotion or broader career progression. To facilitate this, and to ensure we are prepared if and when employees choose to leave the business, we will also undertake more structured succession planning in 2021 below board level.

As a result of this process, we will ensure that we have a nominated short- medium- and long-term succession option for at least every Executive Committee and wider senior leadership/management role in the organisation. As part of this process, we will identify employees with medium- and long-term potential to progress into senior leadership positions within the group, and build individual development plans to support this progression. More details can be found on page 102 of the Nomination committee report.

As a result of this, we would expect to further increase engagement and retention of our employees. We would also expect to increase the attractiveness of IP Group to external candidates, ensuring we continue to attract a diverse mix of talented people. The overall effect of will be to both strengthen and broaden the pipeline of talent available to the Group at every level.

Working with the Group's stakeholders

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

The directors of IP Group plc consider, both individually and together as a Board, that they have acted in the way that they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole. This statement describes how the Board has had regard to the matters set out in s172(1) Companies Act 2006 when performing its duties under s172 Companies Act 2006 ("s172") for the year ended 31 December 2020.

Engaging with stakeholders

Engaging with stakeholders is an integral part of the Group's business and critical to ensuring the future success of the business. Please refer to pages 95 to 98 of the Corporate Governance Report for details of the key stakeholders identified by the Group, the Group's engagement with such stakeholders during the year and the issues that matter to such stakeholders, as well as the table set out on page 95 detailing how the Board has responded to stakeholder feedback throughout 2020.

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

The Group's long-term strategy is to develop and support intellectual property-based businesses that will have a positive impact on the environment and society into robust businesses, from cradle to maturity, with the aim of delivering positive social and environmental impact alongside financial returns for the Group. A detailed explanation of the long-term strategy is set out on pages 08 to 09, and the Group's business model is set out on pages 10-11.

The Group considers environmental, social and governance ("ESG") factors in relation to its role as a responsible investor and in relation to the impact of its portfolio companies. Three executive directors of the Group are members of the Group's ESG Working Group, which was established in 2018. One of the key purposes of the ESG Working Group is to ensure that the Group's investment process is aligned with the Group's strategy, of building businesses with a positive impact on the environment and society whilst achieving financial returns. Details of the actions the ESG Working Group completed during 2020 and its planned focus for 2021 are set out on pages 58 to 60. In particular, the Group has updated its investment committee processes to ensure that ESG considerations are now a standing item in any investment decision made in relation to a portfolio company.

In addition, CEO Alan Aubrey is also a member of the Group's Ethics Committee which was established in 2020. Further details of the Group's Ethics Committee and the Ethical Investment Framework can be found on page 60.

In its role as a responsible investor, the Group sets the expectation of high levels of corporate governance within its portfolio, taking up director positions on the boards of the majority of the Group's focus companies which helps to ensure robust corporate governance processes are in place within such companies, facilitating introductions to external advisers, and sharing any best practice or helpful guidance on new legislation. In 2020, the Group developed an ESG policy toolkit for its portfolio companies, providing template policies for key corporate governance policies that the Group expects its portfolio companies to have in place. Further information on the Group's stewardship activities is detailed on pages 60 to 61.

The Group considers one of its key stakeholders to be the wider community, and an example of how the Group engages in this respect can be seen through the Group's charitable work, following a three-year partnership with Generating Genius and the recent engagement with IntoUniversity as the Group's new charitable partner. Further details are set out on pages 68 to 69.

Culture

As described on pages 87 to 88, one of the key roles of the Board is to help to establish and embed the Group's purpose, values and culture and make sure that these are taken into account when making its decisions. The Group'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 its portfolio companies. The Group prides itself on its high standards of business conduct and expects that its portfolio companies, co-investors, employees and suppliers hold the same high standards when conducting their respective businesses.

Employee engagement via IP Connect

IP Connect, the Group's employee forum, continued to thrive in 2020 and ensured a two-way dialogue between the Board and the employees, facilitated by Aedhmar Hynes, the Group's Designated NED responsible for engaging with the Group's workforce. IP Connect met seven times and were consulted on various matters including the Group's strategy, its diversity and inclusion policies, its culture and values, its response to the COVID-19 pandemic and the potential long-term change in working patterns as a result of the pandemic. IP Connect have also been consulted on the Group's practices around executive remuneration, as further detailed on page 72. Aedhmar acts as the liaison between IP Connect and the Board, bringing relevant Board matters to the forum for input and, in turn, reporting on how the Board has taken into account the views of IP Connect, and by extension the wider employee base, in any relevant decisions it has made. At the start of 2021, a three tier review of IP Connect and its purpose (as set out in the IP Connect terms of reference) was carried out, with feedback sought from the Board, IP Connect members and the wider workforce. The feedback was largely positive, and confirmed that the combination of a Designated NED and an employee forum is a sensible and appropriate approach to employee engagement within the Group. Aedhmar will work with the Chair of IP Connect to implement the recommendations from the review during 2021.

The wellbeing of employees was of paramount importance to the Group during 2020 and IP Connect played an important role in allowing employees to express their thoughts on the Group's handling of the COVID-19 pandemic, ensuring any concerns would be raised with the Board. Further information on how the Group responded to the COVID-19 pandemic within the wider context of the Group's culture is set out on page 72.

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

By understanding the views of its stakeholders, the Board can take into account their opinions, needs and concerns when debating and making decisions. Where considered appropriate, major institutional shareholders are consulted on significant decisions and transactions, changes to the Board and the structure of the Executive Directors' remuneration. For example, key stakeholders were consulted on the Group's approach to capital allocation as detailed further below on page 77. In addition, major shareholders were consulted on the Group's ESG materiality assessment which was undertaken to identify the material ESG factors that the Group should focus on and to assist it in developing some relevant key performance indicators in this area. The following table details some examples of interaction between the Board and key stakeholders on certain matters during 2020, which enabled the Board to take the relevant stakeholders' views into account when making related decisions.

Theme	Discussion topics with and feedback from stakeholders	Action taken by the Board as a result of stakeholder engagement
Capital allocation	Several shareholders had requested a greater understanding of the Board's approach to capital allocation. Specific queries from shareholders (both during routine and roadshow meetings and via the AGM Q&A process) related to the Group's improved cash resources as a result of recent realisations and if, or when, such resources would be used to buy back the Group's shares, particularly when shares are trading at a discount to NAV per share.	The Board discussed the Group's approach to capital allocation at length during 2019 and 2020 and, following engagement with a number of key shareholders and a detailed deliberation and number of iterations, adopted a formal capital allocation policy in July. The Board determined that the Group's capital priority remained organic growth through investment into its portfolio. However, being mindful of interactions with shareholders around cash resources, the Board approved a provisional capital allocation for the buyback of the Company's shares should the appropriate opportunity arise. Such approval provided the Executive Directors with authority to pursue a potential buyback within defined parameters, including providing a benefit to all stakeholders through the removal of an 'overhang' and considering any difference between the Group's share price and its NAV per share at the relevant time. In applying its capital allocation policy the Board noted that the Group would also need to be mindful of the differing business units within the Group, including its international business units, and sought the views of the employees who would be directly affected by the Group's capital allocation in their day-to-day business. An internal audit review on the capital allocation procedures in place completed in 2020 received a "satisfactory" rating, the highest available. The Board also updated its approach to dividends during early 2021. Further detail on stakeholder engagement relating to the capital allocation policy and its application in defining the approach for 2021, and the longer term, is illustrated below.

Working with the Group's stakeholders

continued

Theme	Discussion topics with and feedback from stakeholders	Action taken by the Board as a result of stakeholder engagement
Oxford Nanopore Technologies	Shareholders frequently request updates on Oxford Nanopore's commercial, technical and operational progress. As Oxford Nanopore has continued to develop and increase in value and given the size and significance of Oxford Nanopore to the Group, shareholders often seek to better understand the Board's strategy regarding the Group's shareholding in this company and particularly, any approach the Board may take in the event of any exit opportunity and/or liquidity event.	The Board has considered various potential methods for optimising the value of the Group's holding in Oxford Nanopore in the future for its shareholders, including, for example, selling shares or distributing shares in specie concurrent with or following a future value inflection point and/or retaining some shares as the company continues to develop. Consistent with its approach to any realisation that is very significant, of a one-off nature and/or results in cash in excess of short to medium term requirements, the Directors have discussed potential approaches to value maximisation with major shareholders as part of its ongoing dialogue with this important stakeholder group.
Impact of COVID-19 on the Group's business	The Group engaged with a wide range of stakeholders in relation to the impact of COVID-19 on its business, including employees, shareholders, portfolio companies and co-investors.	The Board considered the Group's three main priorities during the COVID-19 pandemic to be: the health and wellbeing of employees; supporting its portfolio companies; and maintaining business-as-usual virtually. The Board discussed the additional initiatives to staff which included increased communications and wellbeing initiatives. A Crisis Response Group, comprising three Executive Directors and members of the Group's management team, was put in place and still meets on a regular basis, to ensure the Company is able to react quickly to the needs of its employees and other key stakeholders. The Board also engaged with portfolio companies and gave consideration to the interactions with them, and the work undertaken to assess and mitigate the potential impact on their businesses, including the impact of funding rounds. In particular, the Group enabled some of its portfolio companies to access the Government Future Fund scheme.
Long Term Incentive Plan ("LTIP")	The Group engaged and consulted with its major shareholders before it took the LTIP rules to its Annual General Meeting ("AGM") for approval.	Following feedback from major shareholders that the 400% limit on individual LTIP awards in the LTIP rules was higher than they could support, notwithstanding that this higher limit had not been used in practice, the Board engaged in dialogue with such shareholders ahead of taking the LTIP rules back to shareholders for approval at the 2020 AGM. The outcome of this dialogue was agreement by the Board to reduce the 400% limit in the LTIP rules to 300%, thus aligning the rules with the Directors' Remuneration Policy and removing the discretion to make excess awards in exceptional circumstances. The LTIP rules were approved by shareholders on that basis at the Group's Annual General Meeting in 2020, receiving 98.7% of the votes cast in favour.

Training and Board processes

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

Following any principal Board decision, the Board will endeavour to provide feedback to the relevant stakeholders, where appropriate, as part of its continued meaningful stakeholder engagement process. Where appropriate, being mindful of its obligations as a listed company and confidentiality requirements, the Board will seek input from key stakeholders prior to a decision being implemented. In each case, the directors consider how a short-term decision (for example, to sell an asset and achieve an immediate financial return) links into the Group's strategy to create long-term value for its shareholders.

Principal decision: Capital Allocation Policy

The Board seeks to ensure that the Group has sufficient capital to optimally pursue its long-term strategic aims. A key example of a principal decision relating to the Group's strategy taken by the Board in 2020, following stakeholder engagement, is the adoption of the Group's capital allocation policy and its application when determining capital allocations for 2021 and beyond. This was considered at meetings of the Board in November and December 2020 (see page 88) and again during 2021. Following a number of realisations by the Group (including Ceres Power, as further detailed on page 18) during 2019 and 2020, along with a maturing portfolio, the Board concluded it was desirable to formulate a more formal, yet flexible and iterative, capital allocation policy. The policy would facilitate the balancing of the shorter- and longer-term capital needs of the Group's various business units.

The capital allocation policy is principles-based and includes detail on processes and governance. The capital allocation policy was adopted by the Board in July 2020, with the Board considering the policy in light of the Group's risk appetite statement, its existing delegated investment and realisation authorities and its ESG policy and Ethical Investment Framework.

When discussing and subsequently adopting the capital allocation policy, the Board had regard to the following considerations:

- **Shareholders and consideration of long-term effects of the decision and link with Group's strategy:**

The Board considered its priorities for capital allocation. These included investing to pursue the Group's core purpose, primarily through investment into portfolio companies to generate attractive financial returns and, where appropriate, would enable the Group to return capital to shareholders. In doing so, the Board was mindful that some shareholders had asked specific questions around the level of cash resources from realisations made in 2020 and the appropriateness of a possible buyback of the Company's shares. The Board considered these shareholder queries and, as a result, approved a provisional allocation for the buyback of the Company's shares within defined parameters should the appropriate opportunity arise whereby the Board considered a buyback to be in the best interests of the Company's members as a whole. The Board also acknowledged that, in making any decision which applied the Group's capital allocation policy in this way, it would need to consider any gap between the Group's share price and its net asset value per share at the relevant time.

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

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

Working with the Group's stakeholders

continued

Principal decision: Capital Allocation Policy continued

The Group finished 2020 with cash resources well in excess of expectations at the start of the year and, mindful of the maturation of a number of focus assets in our portfolio and the resultant opportunities for cash realisations, determined it was appropriate to further update its capital allocation policy as it related to dividends. In doing so, the Board took into account various factors including the capital available and anticipated to be available for organic growth, the capital made available for potential returns to shareholders during its most recent planning cycle, as well as the volatility of the Group's share price and its relationship to Hard NAV per share. The Board also took into account the fact that success in realisations in 2020 had led to the first payments, totalling approximately £0.5m, being made to employees under the Group's long-term incentive carry schemes. Overall, the Board concluded that the business model had now reached a sufficient stage of maturity that it would recommend to shareholders that a modest but growing dividend should form part of the overall shareholder value proposition. Given the primarily long-term capital returns nature of the Group's approach to total shareholder returns, the Board also decided that it would be appropriate to propose the introduction of an optional scrip dividend programme, allowing shareholders to choose to receive dividends in the form of newly issued, fully paid shares in IP Group plc in lieu of cash.

Further, the Board considered that it should clarify that if the Group made realisations that were very significant, of a one-off nature and/or resulted in cash requirements in excess of capital required in the short-to-medium term, the Directors would intend to discuss with major shareholders an appropriate approach to distributing this excess on a case-by-case basis as part of its ongoing dialogue with this important stakeholder group. The Board considers that the Company is in a strong position to do so, either by way of a share buyback or dividend (including distribution in specie) following the capital reduction completed in 2019.

- **Debt providers:**

The Board considered that another key priority when developing its capital allocation policy was the servicing of the Group's debt facilities, specifically its loan from the European Investment Bank. The Board discussed that, in the event it considers any return of capital to shareholders or effects a share buyback in the future, such decisions would factor in an appropriate level of headroom above current debt and borrowing covenants. Further any contractual terms would be adhered to or permissions sought ahead of making any distributions or commitments to do so.

- **Portfolio companies:**

The Group's business model, as further described on pages 10 to 11, is to generate attractive returns by investing in world-changing businesses whilst applying an active approach to growing the value of such portfolio companies. Where appropriate, the aim is to 'back what we create' and continue to make investments into portfolio companies, helping to develop a healthy pipeline of investments into, and realisations from, portfolio companies. The interests of portfolio companies are, therefore, central to the Group's capital allocation policy. The Board agreed that the Group needs to maintain sufficient capital to meet ongoing portfolio investment requirements and balance potential timing issues between realisations and new investment requirements across its different jurisdictions.

- **Employees:**

The directors considered the impact of the capital allocation policy on its employees and, in particular, noted that employees worked across different business units which are each at different stages of maturity with differing capital allocation requirements. The directors consulted and engaged with all business units and, following consultation with and feedback from the Board, each business unit then developed a plan which detailed the level of investment it required for the relevant period and the returns it believed could be achieved over the appropriate time period, which were presented to the Board as part of its November strategy session. Given the importance of the Group's capital allocation policy to the overall strategy of the Group, the Executive Directors communicated and explained the allocations to all employees at various all-staff presentations, and employees were given the opportunity to ask questions relating to the allocations. The policy was also discussed at an IP Connect meeting, and the outcome of such discussions fed back to the Board by the Designated NED.

- **Co-investors:**

The directors considered the Group's relationship with co-investors in its portfolio companies, noting that the relationship which the Group has with its co-investors may be negatively impacted if the Group did not allocate sufficient capital to meet the needs of its portfolio companies or that co-investors may seek to detriment the Group's position if it was perceived to have insufficient capital.

The capital allocation policy remains subject to ongoing review by the Board to ensure it continues to align with the Group's overall strategy. When deciding future allocations, the Board will also consider the following criteria in line with the Group's purpose and strategy to:

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

Board approval

The Strategic Report as set out on pages 04 to 79 has been approved by the Board.

On behalf of the board

Sir Douglas Flint

9 March 2021

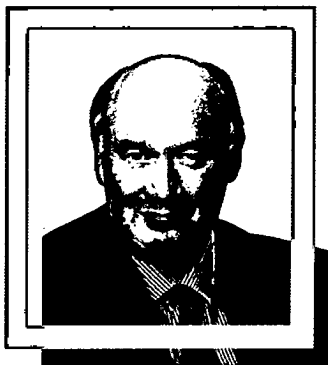




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Board of Directors



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 Chairman from 1 November 2018

Age: 64

Independent: N/A¹

Tenure: 2 year

Term of office:

3 years², 3 months' notice

Re-election to Board:

Annually at AGM

Skills and Experience: Sir Douglas has a strong track record of Board leadership and in-depth knowledge of financial reporting, banking and investment business and brings this wealth of finance and governance experience and

expertise to the Board. Former positions include Group Chairman of HSBC for 7 years, HSBC's Group Finance Director for 15 years and Non-executive Director of BP plc for 6 years. Formerly a partner in KPMG.

Current external appointments: Chairman of Standard Life Aberdeen plc, HM Treasury's Special Envoy to China's Belt and Road Initiative, Chairman of the Just Finance Foundation, Director of the Centre for Policy Studies, sits on the Global Advisory Council of Motive Partners, Chairman of the Corporate Board of Cancer Research UK, and a Trustee of the Royal Marsden Cancer Charity.

Committee memberships: Nomination (Chair) and Remuneration.



Alan Aubrey Chief Executive Officer

Effective date of current service agreement:
20 January 2005

Age: 59

Independent: No

Tenure: 16 years

Term of office:

Permanent, 6 months' notice

Re-election to Board:

Annually at AGM

Skills and Experience: Alan was the joint founder of Techtran Group, which went on to merge with IP2IPO Limited and the combined business was subsequently renamed IP Group. Alan has significant experience in finance as well

as in the commercialisation of science and the creation of new businesses that address global markets, particularly in the high-technology manufacturing, clean technology and life science sectors. He brings 7 years' experience as partner at KPMG and significant experience of audit and risk processes in both the private and public sectors.

Current external appointments:³
Non-executive Chairman Proactis Holdings plc

Committee memberships: None



Mike Townsend Chief Investment Officer

Effective date of current service agreement:
5 March 2007

Age: 58

Independent: No

Tenure: 14 years

Term of office:

Permanent, 6 months' notice

Re-election to Board:

Annually at AGM

Skills and Experience: Mike's knowledge and experience of all aspects of equity capital markets and investment process are invaluable to the Board. He holds over 18 years' equity capital markets experience from positions at Lehman Brothers and Donaldson, Lufkin and Jenrette.

Current external appointments:³
Green Urban Transport Limited

Committee memberships: None



Greg Smith Chief Financial Officer

Effective date of current service agreement:
2 June 2011

Age: 42

Independent: No

Tenure: 9 years

Term of office:

Permanent, 6 months' notice

Re-election to Board:

Annually at AGM

Skills and Experience: Greg's financial expertise plays a fundamental role in driving the Group to meet its financial goals. Prior to joining IP Group, Greg worked in senior positions at Tarchon Capital Management and KPMG. Greg is a Fellow of the ICAEW and holds a degree in Mathematics.

Current external appointments:³ None

Committee memberships: None

1. Sir Douglas Flint was considered by the Board to be independent on appointment.

2. Excludes appointments to Group portfolio company boards.

3. Excludes appointments to Group portfolio company boards



David Baynes Chief Operating Officer

Effective date of current service agreement:
20 March 2014

Age: 57
Independent: No
Tenure: 7 years
Term of office:
 Permanent, 6 months' notice
Re-election to Board:
 Annually at AGM

Skills and Experience: 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 for 10 years. David also brings previous experience taking companies from start-up to full listing on the London Stock Exchange. David was also previously CFO of Codemasters Limited, the UK's largest privately held games company.

Current external appointments:³ None

Committee memberships: None



Professor David Begg Senior Independent Director

Effective date of current letter of appointment:
18 October 2017

Age: 70
Independent: Yes
Tenure: 3 years⁴
Term of office:
 3 years, 2 3 months' notice
Re-election to Board:
 Annually at AGM

Skills and Experience: Previously a Non-executive Director at Imperial Innovations, Touchstone Innovations, and Trace Group, Professor Begg has also held a number of distinguished advisory and academic appointments including Principal of Imperial College Business School, Vice Master of Birkbeck College, Visiting Professor at M.I.T, and Economic Policy Advisor to the Bank of England.

Key external appointments: None

Committee memberships: Nomination, Audit & Risk and Remuneration.



Dr Elaine Sullivan Non-executive Director

Effective date of current letter of appointment:
30 July 2015

Age: 60
Independent: Yes
Tenure: 5 years
Term of office:
 3 years², 3 months' notice
Re-election to Board:
 Annually at AGM

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

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

Current external appointments: Supervisory Board of Evotec AG Executive Entrepreneur and Advisor to Carrick Therapeutics and Non-executive Director of Open Orphan plc.

Committee memberships: Nomination, Audit and Remuneration.



Heejae Chae Non-executive Director

Effective date of current letter of appointment:
3 May 2018

Age: 52
Independent: Yes
Tenure: 2 years
Term of office:
 3 years², 3 months' notice
Re-election to Board:
 Annually at AGM

Skills and Experience: Heejae is an experienced public company Director, bringing both knowledge of finance and industry, having

spent the early part of his career in finance at The Blackstone Group and Credit Suisse First Boston before moving into industry. He was also former Group Chief Executive of Volex Group plc and Group General Manager for Amphenol Corporation.

Current external appointments: CEO of Scapa Group plc and Board of Overseers at Boston Children's Hospital

Committee memberships: Nomination, Audit and Remuneration (Chair)

Board of Directors



Dr Caroline Brown Non-Executive Director

Effective date of current letter of appointment: 1 July 2019

Age: 58

Independent: Yes

Tenure: 1 year

Term of office:

3 years¹, 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 20 years plc board experience and held previous positions in corporate finance at Merrill Lynch (New York), USB and HSBC. Caroline is a Fellow of the Chartered Institute of Management Accountants

Current external appointments: Independent Director of Georgia Capital plc and Luceco plc.

Committee memberships: Nomination, Audit (Chair) and Remuneration.



Aedhmar Hynes Non-Executive Director and Designated Non-executive Director for employee engagement

Effective date of current letter of appointment: 1 August 2019

Age: 54

Independent: Yes

Tenure: 1 year

Term of office:

3 years², 3 months' notice

Re-election to Board:

Annually at AGM

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

22 offices and over 600 consultants across Europe, Asia and North America. Aedhmar is also the Group's Designated Non-executive Director for employee engagement on the Board.

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

Committee memberships: Nomination, Audit and Remuneration.

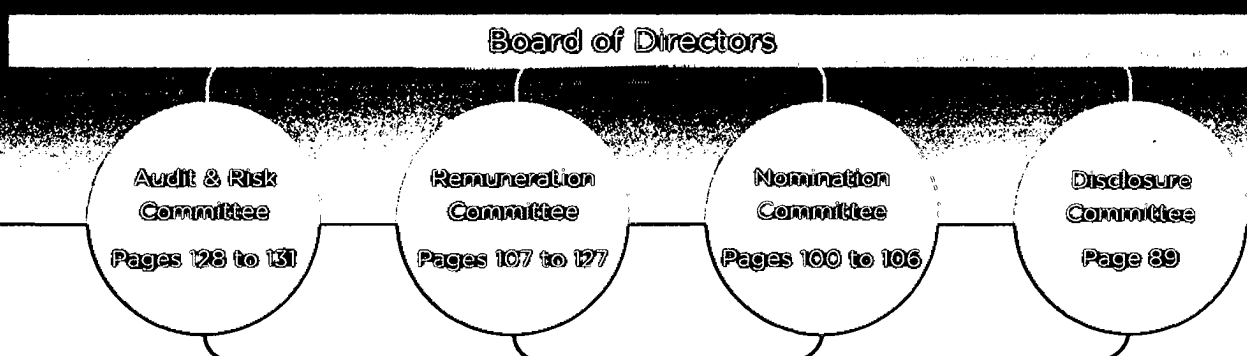
1. Sir Douglas Flint was considered by the Board to be independent on appointment.
2. Subject to renewal for subsequent three-year terms as set out on page 102
3. Excludes appointments to Group portfolio company boards
4. This excludes Professor David Begg's 6 year tenure as a director of Touchstone Innovations plc

Corporate Governance Framework

Compliance with the UK Corporate Governance Code 2018 (the "Code")

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

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



Chairman

Leadership and conduct of the Board, encouraging open and constructive discussion
Promotes high standards of governance and board effectiveness
Ensures active engagement and effective communication with shareholders
Sets the Board's agenda and 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 Board members receive appropriate induction and ongoing training on the Group's activities and their own responsibilities
Leads performance assessment of Board members

Senior Independent Director

Available to shareholders to discuss their views
Intermediary between the Board and the Chair
Leads the Board in deliberations where the Chair is conflicted
Leads assessment of the Chair's

Company Secretary

Responsible for governance matters
Ensures Board policies and procedures are followed
Ensures compliance with laws and regulations
Ensures Board papers are concise, clear and that their purpose is explicitly stated

Chief Executive Officer

Leads on development and delivery of strategy
Leads the management of the Group alongside the senior executive team and establishes financial and operational targets
Leads delivery of the Group's operating plans and budgets and the execution of Board decisions
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
Leads succession planning for the senior executive positions alongside the Head of HR
Represents the Group to external stakeholders

Executive Directors

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

Non-executive Directors

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

Investment Committees - Life Sciences and Technology

Portfolio assessment and realisation decisions (other than those reserved for the Board) are delegated to the Investment Committees of the Life Sciences and Technology Partnerships

Corporate Governance Statement



Sir Douglas Flint
Chairman

“The Company’s purpose of evolving great ideas into world-changing businesses 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.”

During 2020, the Group focused on maintaining the highest standards of corporate governance notwithstanding the COVID-19 pandemic. The Group’s response to the COVID-19 pandemic demonstrates that the interests of stakeholders are fully integrated into the Board’s decision-making processes.

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

Effective corporate governance is integral to the Board’s oversight of the execution of the Group’s strategy and is critical to building strong relationships with all the Group’s stakeholders in order to earn their backing for the Group’s purpose to support outstanding businesses based on unique intellectual property. The Group continues to foster a culture of innovation, mutual support and diversity, whilst encouraging employees to engage in healthy debate and challenge to consider a wide range of opinions when making decisions. For more information on the culture the Group and its Board wishes to foster, see page 70. A key focus of the Group during the year has been to further develop the Group’s processes for recording its engagement with stakeholders and reporting feedback to the Board. For further details on how the directors have complied with their duties under s172 of the Companies Act 2006 (the “CA 2006”) in their decision making, please refer to pages 74 to 79.

The Group upholds strong business values which focus on being passionate, principled and pioneering in all of its activities and actions. These values continue to guide the Group in implementing its strategy and employees are committed to demonstrating these values throughout their work. The ESG Working Group, established in 2019, which has implemented the Group’s ESG policy and Ethical Investment Framework as outlined on page 58, ensures that the Group’s values and culture are also implemented in the Group’s approach to its investments. Further details of how the Group mitigates climate-related risk are included on page 67.

The Board welcomes the opportunity to discuss any matters relating to corporate governance with shareholders during the year or, where possible, at the Group’s forthcoming Annual General Meeting (“AGM”) in June 2021. The Group will be following government guidance relating to COVID-19 and public gatherings, and as such is keeping the AGM arrangements under review. The Board will update shareholders via the AGM notice (when published) and/or the Regulatory News Service, as appropriate. The AGM notice and any such announcements shall also be uploaded to the Company’s website (<https://www.ipgroupplc.com/investor-relations/shareholder-information/aggm>). The Company encourages shareholders to check its website regularly for the latest information on the arrangements for the AGM. In addition, and to facilitate engagement with shareholders throughout the year, the Group maintains a dedicated company secretary email address cosec@ipgroupplc.com to which shareholders can submit questions as any time.

Sir Douglas Flint
Chairman

The Board

Role and responsibilities of the Board

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

The Board recognises that, in discharging its responsibilities, it is necessary to support the maintenance and evolution of a policy and decision-making framework in which the Group's strategic aims are implemented; ensuring that the necessary financial and human resources are in place to meet those aims; monitoring performance against key financial and non-financial indicators; planning for Board and senior management succession; overseeing the system of risk management; setting values and standards in governance matters; monitoring environmental, social and governance policies and performance and helping to shape and embed the Group's purpose, values and culture. The Board recognises that its role in setting and maintaining the Group's culture is of key importance. The Group's culture is one of the key strengths of its business and plays a strong role in attracting, retaining and incentivising the most talented people. Further information on the Group's culture is on page 70.

In supporting the Group's business and its portfolio companies, the Board acknowledges the key roles of Group functions in the fields of executive search, capital raising, intellectual property strategy and due diligence support

and legal support alongside the hands-on approach and high level of support provided by the experienced, sector-specific investment partnership team members. The directors believe that the Group's approach to supporting its portfolio companies in this way is unique and serves not only to build sustainable businesses with longevity, but also to provide attractive returns for stakeholders by creating value over the longer term.

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

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



Corporate Governance Statement continued

Board activities during 2020

Principal Decisions

- Approved the phased disposal of shares in Ceres Power Holdings plc (please see page 12 for further details)
- Approved other portfolio company investments and divestments required in line with the Group's delegated investment and realisation authorities
- Approved the Group's capital allocation policy (please see page 77 for further details including s172 considerations)
- Approved the Group's ESG Policy and Ethical Investment Framework (please see page 58 for further details)

Board and Committee Composition and Conduct

- Agreed the succession approach to the position of Senior Independent Director
- Refreshed succession planning for the future Executive leadership of the Group

Strategy and Risk

- Discussed and considered the impact of COVID-19 as a principal risk to fulfilment of the Company's strategy and those of the Group's portfolio companies (for further detail on the Group's response to COVID-19 please refer to page 22)
- Discussed and considered the implications of the expansion of the Group's largest portfolio company, Oxford Nanopore into COVID testing
- Reviewed the pipeline of potential M&A and IPO activity within the Group's portfolio and considered the implications thereof
- Assessed various strategic options including, in particular, the Group's geographic footprint, its access to capital and its funding model
- Considered the Group's short, medium and long-term strategy and objectives

- Debated in detail the Board's risk appetite regarding the Group's principal risks
- Agreed the Group's approach to capital allocation after engaging with key stakeholders (please see page 75 for further detail on this engagement)
- Discussed the evolution of the shareholder base

Corporate Governance

- Reviewed and updated processes and procedures to ensure compliance with the Code
- Approved updated terms of reference for its Committees
- Received presentations from the Group's 30% Club and ESG working groups and a presentation on Communications and Investor Relations

Shareholders

- Considered the Company's ability to return cash to shareholders and available routes to do so
- Discussed the Company's share price performance

Updates from the Business and Portfolio Companies

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

Board Effectiveness

- Oversaw the implementation of the recommendations from the 2019 Board evaluation (for further detail, see page 104 of the Nomination Committee report)
- Reviewed plans for the internal Board effectiveness review that was carried out in relation to 2020

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 its senior management team. The schedule of matters reserved for Board decision and approval are those significant to the Group as a whole due to their strategic, financial and/or reputational implications. The schedule, along with the terms of reference for each of the Audit & Risk, Remuneration and Nomination Committees can be found within the Corporate Governance section of the Group's website at www.ipgroupplc.com and are also available from the Group's Company Secretary. This schedule was reviewed in 2020 and all recommended changes were accepted by the Board. The schedule will be reviewed again in 2021.

Committees and Oversight

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

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

Separate reports on the role, composition, responsibilities and operation of each of the Nomination, Remuneration and

Audit & Risk Committees are set out on page 100 to 106, pages 107 to 127 and pages 128 to 131 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 91.

A new Executive Committee has recently been established, which currently comprises the Group's Executive Directors, the Managing Partners of Tech and Life Sciences, the General Counsel and the Director of Communications. Within the agreed financial limits set by the Board, the Executive Committee has primary authority for the day-to-day management of the Group's operations save for those matters which are expressly reserved to the Board or its committees. The Executive Committee is a decision making body which will report into the Board, primarily through the CEO and the other Executive Directors. Additional roles are in the process of being added to the Executive Committee, including the Group People Director and two Employee Executives. Further details around the new Executive Committee and the Employee Executive roles can be found on page 71.

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

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

Board size and composition

As at 31 December 2020, there were ten Directors on the Board: the Chairman, four Executive Directors and five Non-executive Directors. The biographies of all directors are provided on pages 82 to 84.

Jonathan Brooks, who served on the Board for nearly nine years, retired from the Board in March 2020 upon finalisation of the 2019 Annual Report and Accounts. No other changes were made to the Board during 2020.

Professor David Begg, who has served on the boards of Touchstone Innovations plc and subsequently IP Group for nearly nine years, intends to retire from the Board and his role as Senior Independent Director at the end of

the Board meeting in June 2021 and will not be offering himself for re-election at the 2021 Annual General Meeting. Aedhmar Hynes will succeed Professor Begg as the Senior Independent Director upon his retirement. This appointment will take effect from the conclusion of the 2021 AGM, subject to Aedhmar Hynes' re-election as a director at that meeting.

In accordance with the provisions of the Code, all of the Directors (other than Professor Begg), will be offering themselves for re-election at the 2021 Annual General Meeting. The Board unanimously recommends to shareholders the reappointment of all the Directors that are offering themselves for re-election, on the basis that the results of the annual Board evaluation and the annual one-to-one performance appraisal process demonstrated that they are all effective directors of the Company and continue to display the appropriate level of commitment in their respective roles.

Diversity

The disclosure required by DTR 7.2.8 relating to the Group's diversity policy is presented in the Nomination Committee Report on page 101.

Board observers

Dr Sam Williams and Dr Mark Reilly, the Group's Managing Partners of Life Sciences and Technology respectively, attended the Group's Board meetings as observers during 2020. The Board considers it is important for the Managing Partners of the Life Sciences and Technology Partnerships to have a degree of direct representation at Board meetings and to be available to report to, and respond directly to questions and challenge from, the Board on the assets they manage.

The attendance of observers is, at all times, at the Chairman's discretion and any observers are required to disclose and manage any conflicts of interest (which may require the relevant observer to be excluded from all or part of future Board meetings). The observers are able to speak and participate in the discussions of the Board, but not vote on any decisions made by the Board.

Company Secretary

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

Corporate Governance Statement continued

Non-executive Directors

The Non-executive Directors provide a wide range of unique skills and experience to the Group as detailed on page 103. By virtue of such a diverse mix of skills and experience, the non-executive directors are well placed to constructively challenge and scrutinise the performance of executive management at both Board and Committee meetings.

Since 2009, the Board's policy has been 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 2021 have holdings in any of the Group's portfolio companies.

Directors are required to obtain the formal written approval of the Chairman before taking on any further directorial appointments or other engagements with an organisation that competes with the Group (whether directly or indirectly), and the Chairman requires the approval of the Board before adding to his commitments. In all cases, directors must ensure that their external appointments do not involve excessive time commitments. Details of key external appointments of the directors can be found on page 82 to 84.

Board meetings, provision of information and decisions

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

The Board had six scheduled Board meetings and two strategy sessions in 2020; six Board meetings and a two-day strategy session are scheduled for 2021. The requirement for additional scheduled meetings is kept under review by the Chairman and the Company Secretary.

Due to COVID-19, only one Board meeting was held physically at the Group's offices in London in 2020 with the remainder of the meetings and the strategy sessions taking place remotely via video conference. Meetings between the Chairman and the Non-executive Directors, both with and without the presence of the Chief Executive Officer, are also held throughout the year. In 2020, such meetings were held remotely via video conference.

The Board held two strategy sessions in November and December 2020. The strategy sessions provided an opportunity for all Directors, and particularly the Non-executive Directors, to discuss in detail the current strategy of the Group and its funding model, and whether any action or changes are required in the short to medium term to bring the Group to a more sustainable position; to discuss the Group's capital allocation policy and agree the approach to capital allocations for 2021 and the longer term having received presentations from each of the key business units and the relevant Executives on the various proposals; to discuss medium and longer term strategic objectives and the key drivers underpinning these; and to

discuss the Human Relations and People strategy and key priorities for 2021. The Board also reviewed the Group's risk framework and risk appetite, including considering the principal risks facing the Group and its strategy, its appetite towards these risks, how to assess, manage, mitigate and/or monitor these risks and desired level of associated control investment. The Board also considered the longer-term *emerging risks for the Group*. Further details in relation to the Group's approach to the management of its key risks and uncertainties, as well as the relevant mitigations, are set out on pages 49 to 57.

The schedule of Board and Committee meetings each year is, so far as possible, determined before the commencement of that year, and all Directors are expected to attend each meeting. Board and Committee meetings are often split over two days to ensure sufficient time is allocated for the business of the committees and the Board and that full engagement is possible from those in attendance. Such scheduling also seeks to enable more in-depth engagement between the Non-executive Directors, Executive Directors and Managing Partners and other staff of the Group outside of the scheduled meetings, primarily through Board and observer dinners and social drinks with staff around the Board meetings. The Board met for one dinner in March 2020 and also had a virtual drinks session. In addition, the Chairman and the Non-executive Directors had calls without the presence of the Executive Directors at least seven times during the year, both around and between Board meetings. To enable further engagement with staff during the COVID-19 pandemic, the Board held three "Meet the Board" sessions, during which Aedhmar Hynes interviewed Sir Douglas Flint, Heejae Chae and Dr Caroline Brown via Zoom and offered employees the opportunity to ask questions.

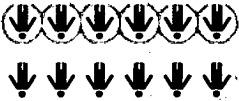
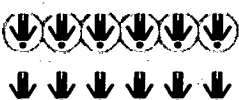
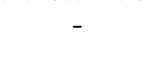
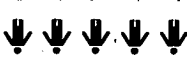
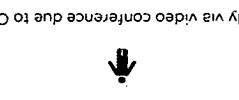
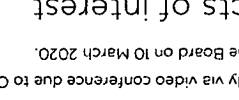
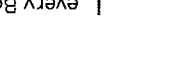
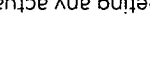
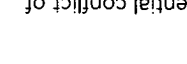
Every member of the Board receives detailed Board packs three to five business days prior to each scheduled Board meeting, which include an agenda based upon the schedule of matters reserved for its approval along with appropriate reports and briefing papers, save in respect of meetings called on short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

The Chairman, Chief Executive Officer, Chief Financial Officer, Company Secretary and Managing Partners of the Life Sciences and Technology Partnerships work together to ensure that the Directors receive relevant information to enable them to discharge their duties and that such information is accurate, timely and clear. This information includes monthly management accounts containing an analysis of performance against budgets and other forecasts, as well as written reports from each of the Life Sciences and Technology Partnerships, the Australasian and US businesses, IP Capital (including Hong Kong and China) and Parkwalk. Additional information is provided as appropriate or if requested. At each Board meeting, the Board receives information, reports and presentations from the Chief Executive Officer, the other Executive Directors, the Managing Partners of the Life Sciences and Technology Partnerships and, by invitation, other members

of senior management. This includes bi-annual presentations from the US and Australian business unit and presentations from Parkwalk, the Group People Director, Head of Comms and IR and a representative of the ESG working group. These presentations ensure that all Directors are aware of, and are in a position to monitor effectively, the overall performance of the Group, its development and implementation of strategy and its management of risk.

Board and committee attendance

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

	Board Meetings ¹	Audit and Risk Committee	Nomination Committee	Remuneration Committee
Sir Douglas Flint				
Alan Aubrey				
Mike Townsend				
Greg Smith				
David Baynes				
Dr Elaine Sullivan				
Prof. David Begg				
Heejae Chae				
Dr Caroline Brown				
Aedhmar Hynes				
Jonathan Brooks ²				

¹ Five meetings were held remotely via video conference due to COVID-19.
² Jonathan Brooks retired from the Board on 10 March 2020.

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 of 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 the directors the opportunity to raise at the beginning of

every Board meeting any actual or potential conflict of interests that they may have on the matters to be discussed or to update the Board on any change to a previous conflict of interest already declared. Furthermore, where it feels it needs more information to properly consider the conflicts or potential conflicts which may present themselves, the Board requests a detailed analysis to be carried out by the Executives, the Company Secretary and/or the in-house legal team, and to take external advice where appropriate, with the results of the same being presented with a recommendation as to how to manage any potential conflicts present effectively.

The authorisation of any conflict matter, and the terms of any authorisation, may be reviewed by the Board at any time. The Board believes that the procedures established to deal with conflicts of interest are operating effectively. Notwithstanding this, the Board considers it prudent to conduct a detailed review of the Group's conflict policies and procedures during 2021 and has mandated the Company Secretary to progress this matter.

The Board's policy previously permitted personal investments by the executive directors in the Group's portfolio companies, both into new opportunities and to follow pre-emption rights where such Executive Directors

Corporate Governance Statement continued

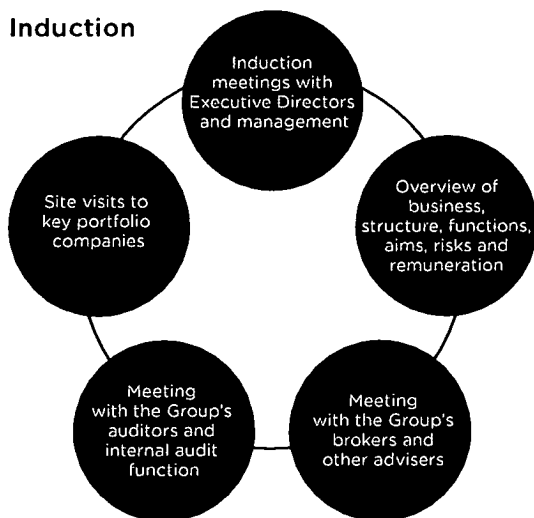
already had a holding. These personal investments are tightly controlled by the Group's internal policy relating to 'Holdings in Portfolio Companies' which includes, amongst other restrictions, maximum levels of investment by executive directors and staff in portfolio company financing rounds, requires that all interests of executive Directors in portfolio companies are fully disclosed and regulates and manages any potential conflicts that could arise. Through 2020, the Board reviewed this policy insofar as it applied to executive directors and concluded that executive directors should no longer be permitted to personally invest in financing opportunities in new portfolio companies. Executive directors are still permitted to follow their pre-emption rights in financings undertaken in portfolio companies in which they already have an interest, subject to the restrictions contained with the 'Holdings in Portfolio Companies' policy, including full disclosure to ensure all conflicts or potential conflicts of interest are effectively managed.

Board support

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

Induction, awareness and development

Induction

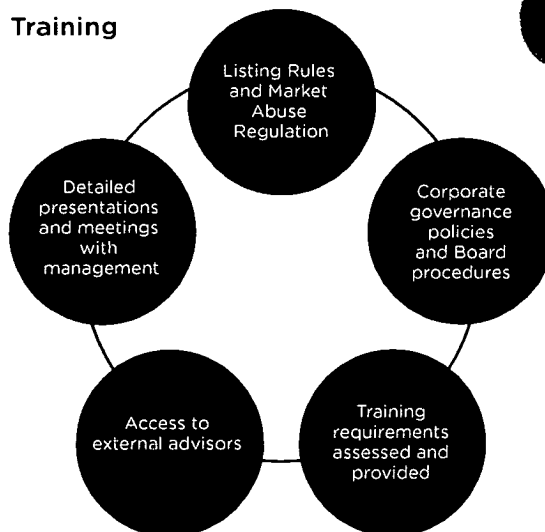


A comprehensive induction process is in place for new directors. The programme is tailored to the needs of the individual Director and agreed with him or her in advance and monitored throughout the process to ensure that he or she can gain a better understanding of the Group and its businesses.

This process includes:

- an overview of the Group and its businesses, structure, functions, strategic aims, risk management framework and remuneration policies;
- meetings/calls with all Executive Directors, the Company Secretary, the managing partners of the Life Sciences and Technology Partnerships, heads of the US and Australian businesses, heads of the various internal functions and Parkwalk executives;

Training



- a meeting with both the Group's auditor and internal audit function;
- training on key legal and governance matters relevant to the Group and its policies;
- site visits to a number of the Group's portfolio companies, including, where possible, at least one or more within the Group's top ten holdings (by value), which will include meeting with such companies' management and a presentation from them on their businesses; and
- sessions as appropriate with the Group's advisers, as well as with appropriate external governance specialists, to ensure full awareness and understand 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 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.

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. The Chair of the Audit & Risk Committee, the Senior Independent Director and the Chief Financial Officer visited Oxford Nanopore in February 2020, however given the impact of the COVID-19 pandemic through much of 2020 and into 2021, no further in-person meetings or site visits were possible. It is hoped that in-person meetings and site visits will resume in line with the easing of Government restrictions during 2021. The Board continues to be exposed to the Group's portfolio through presentations at Board meetings by relevant members of the Group's staff and also via the new Portfolio Company Update Programme launched in 2020. This Programme has, on an almost weekly basis, showcased a significant number of the Group's portfolio companies across all three territories via bitesize Zoom sessions given by members of the Group's Investment or Executive teams, or by members of the relevant portfolio company management teams and is intended to continue into 2021. Recordings of these sessions are also available on the intranet to which all of the Non-executive Directors have access.

In 2021, it is intended that presentations will continue to be provided to the Board on a rolling basis by members of the Group's different 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 his or her performance following the Board's performance evaluation in each year and the Chairman reviews and agrees with each Director their training and development needs for the year ahead. Access to training and development opportunities, including those relevant to the Non-executive Directors' membership on the Board's committees, is facilitated through the Company Secretary. Further details relating to the assessment of the Board's performance are set out on page 104.

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 his or her independence from a governance perspective, in accordance with the Code. Provision 19 of the Code applies to the maximum term for the Chairman's appointment, and the Nomination Committee is responsible for ensuring compliance with this provision. The Chairman was considered by the Board to be independent on appointment.

Statement of Non-executive Directors' independence

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

Internal controls & risk management

The Board recognises the importance of the Financial Reporting Council's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting. The Group's internal controls (including all material financial operational and compliance controls), which are Group-wide and were in place throughout 2020, were reviewed by the Board, with no significant failings or weaknesses being identified in respect of the year ended 31 December 2020 and up to the date of approval of the Annual Report and Accounts. Where the Board has identified areas requiring improvement, processes have been put in place to ensure that the necessary action is taken and that progress in such areas is monitored. Details of the Group's internal controls and risk management systems are provided on page 46.

The Board is responsible for establishing and monitoring internal control systems and for reviewing the effectiveness of these systems. The Board views the effective operation of a rigorous system of internal control as critical to the success of the Group. However, it recognises that such systems can provide only reasonable and not absolute assurance against material misstatement or loss. Details of the effectiveness reviews of the systems of risk management and internal control are provided on page 49.

Corporate Governance Statement continued

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 47.

The Group outsources its internal audit function to PwC. Details of the internal audit activity during 2020, including internal audit reviews, are on page 140.

Detailed written policies and procedures have been established covering key operating and compliance risk areas. These are reviewed and updated at least annually by the Audit & Risk Committee.

Identification and evaluation of principal risks and uncertainties

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

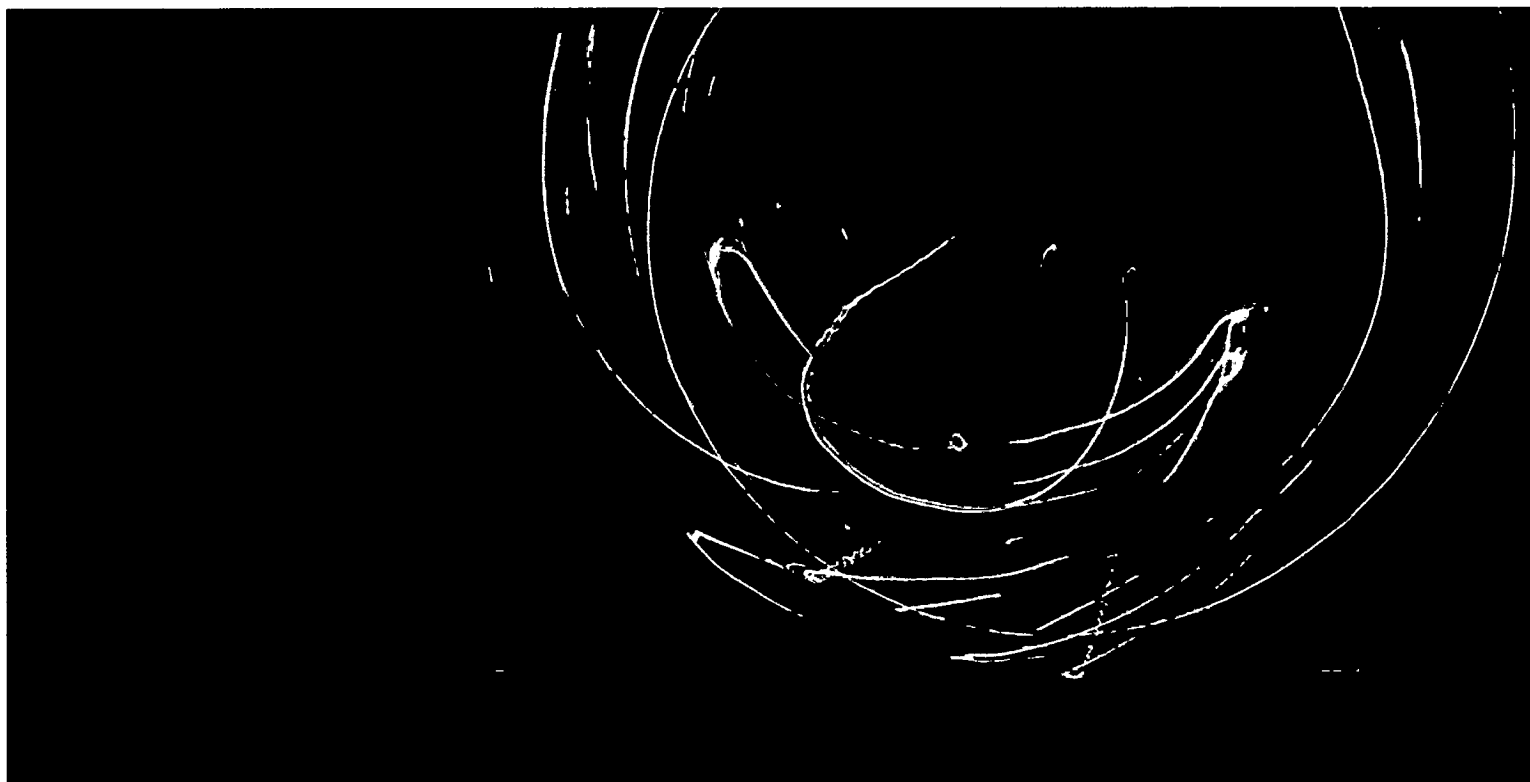
The Board regularly reviews any significant fair value movements in individual portfolio companies, the Group's investments in its strategic assets and the top 20 most valuable portfolio company holdings. For details on the activities of the Group's Valuation Committee see page 129. In addition, the managing partners of the Life Sciences and Technology Partnerships attend Board meetings as observers and present updates on their respective portfolios during each Board meeting.

As described on page 46, 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 50 to 57.

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 page 46 and on pages 129 to 130.



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 2020, the Group re-mapped its key stakeholders and identified no changes to its key stakeholders during the past year. This process will be completed again in 2021. Due to the impact of the COVID-19 pandemic, there has been an increased prevalence of remote engagement with the Company's stakeholders, including its employees. Processes to ensure a high level of stakeholder engagement will continue to be reviewed during 2021. The table below sets out the Group's focus on the key relationships with stakeholders which enable the Group to discuss the potential impact of its decisions on the stakeholders affected by or relevant to the issue in question.



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; and - 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 and Senior Independent Director - Results announcements, presentations and roadshows - The Group's website - Meeting with analysts and feedback from the Group's brokers - Annual General Meeting/other General Meetings - Annual Report and Accounts - RNS and RNS Reach announcements - Shareholder circulars - Group capital markets events	- Financial performance - Strategy - The Group's funding model - Capital allocation - Long-term growth - ESG factors - Culture - Significant changes to the Board - Remuneration of directors - Capital allocation - Matters affecting the share capital - Diversity - Compliance and governance

Corporate Governance Statement continued

Name of stakeholder	Why we engage	How we engage	Issues that matter to this stakeholder group
 Employees	To attract, develop, incentivise and retain the best people, 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 • Appointment of Designated NED for employees • Regular all-staff meetings (held remotely with increased frequency throughout the COVID-19 pandemic) • Annual all-staff off-site (held remotely during 2020 over three days to encourage maximum participation and engagement) • Weekly all-staff emails from the CEO • Staff intranet • Speaking up hotline and web reporting tool • Culture and engagement survey and other more regular pulse surveys • Regular all-staff social events • Portfolio Company Update Programme • Internal training sessions • During the COVID-19 pandemic, virtual games and quizzes, fitness and wellbeing sessions, coffee catch-up sessions and regular email updates and check-in calls from HR	• Strategy • Culture • Transparency of decision making • Opportunities for development and progression • Talent management • Diversity and inclusion • Employee/workplace policies • Strong communication • Remuneration and benefits • Wellbeing
 Portfolio companies	To develop and support opportunities into a diversified portfolio of robust 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 inhouse IP specialist • Regular portfolio company events • Facilitating access to co-investors • Group capital markets events • Updates on Government support measures during the COVID-19 pandemic circulated to portfolio companies	• Strategy • Financial performance • ESG factors • Fundraising • Building strong boards • The Group's funding model • Capital allocation • Culture • Investment Committee decision-making process

Name of stakeholder	Why we engage	How we engage	Issues that matter to this stakeholder group
 Co-investors	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.	• Interacting with IP Capital, the Group's specialist fund management and corporate advisory business • Via portfolio company boards where several investors have a Board seat • Attending conferences and sector events • Group capital markets events	• Strategy • Financial performance • Realisations • ESG factors • Investment evaluation and decision-making process • Culture
 Universities and other research partners	To build, develop and maintain relationships with universities to identify promising research and create and build businesses around such research. This builds into one of the Group's strategic aims, which is to create and maintain a pipeline of compelling intellectual property-based opportunities.	• Regular interaction with investment teams in the UK, the US and Australia • Regular review meetings in US • Annual relationship review in Australia	• 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 • Supporting UK woodland creation via Woodland Carbon Code • Three-year partnership with Generating Genius charity • Website • Member of UN Global Compact	• ESG factors • Capital allocation • Strategy • Diversity and inclusion

Corporate Governance Statement continued

Name of stakeholder	Why we engage	How we engage	Issues that matter to this stakeholder group
 The European Investment Fund and the European Investment Bank	To maintain strong partnerships with the EIB, as lender to the Group, and the EIF, a significant investor in the Group's managed/co-invest funds.	- Regular reporting requirements - Direct conversations and consultation on matters relevant to them - Attendance and presentation at EIB and EIF conferences	- Strategy - Financial performance - The Group's funding model - Realisations - Compliance and governance - ESG factors
 Regulators¹	To maintain strong relationships with regulators.	- Direct correspondence on matters as necessary - Correspondence with the Takeover Panel on concert party matters - Regular reporting to the Financial Conduct Authority, and incorporation of any feedback received - Regular reporting to the Australian Securities and Investment Commission, Australian Prudential Regulation Authority and the Australian Transaction Reports Analysis Centre	- Strategy - Financial performance - Compliance and governance - The Group's funding model - Portfolio liquidity - ESG factors - Business continuity and longevity
 Industry Analysts	To ensure analysts have a strong understanding of the Group's strategy, performance, purpose and culture and to ensure that the Group has strong relationships with its analysts.	Regular dialogue and correspondence with the Executive Directors and senior management team, led by the CFO	- Strategy - Financial performance - The Group's funding model - Capital allocation - Compliance and governance - ESG factors
 Governance bodies	To maintain strong relationship with proxy advisers, the Investment Association, the Financial Reporting Council and other governance bodies.	- Direct correspondence on matters as necessary - Correspondence with proxy bodies in relation to the Group's Annual General Meeting and any other general meetings	- Compliance and governance - Remuneration Policy - ESG factors - Diversity and inclusion

¹ Including the Financial Conduct Authority, Takeover Panel and the Australian Securities and Investment Commission.

Engagement with employees during the COVID-19 pandemic / IP Connect

The Group recognised the importance of increased engagement with employees during the COVID-19 pandemic and has launched various initiatives aimed at fostering a culture of enhanced employee engagement through the work undertaken by the Group's HR team and IP Connect, the Group's employee forum. For further information on IP Connect please refer to pages 74 to 75 and for the ways in which the Group has engaged with employees during the COVID-19 pandemic please refer to pages 70 to 71.

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 1 to the consolidated financial statements. Details of the Directors' authority in relation to the issuing or buying back by the Company of its shares are set out in pages 132 to 133 of the Directors' Report.

Articles of Association

The Company's Articles of Association may be amended by a special resolution of the shareholders.

Substantial shareholders

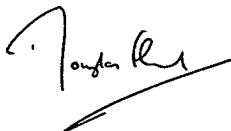
Details of persons who hold a significant direct or indirect holding of securities in the Company are set out on page 133 of the Directors' report.

Annual General Meeting

Notice of the Annual General Meeting, which will be held on 9 June 2021 at IP Group plc, The Walbrook Building, 25 Walbrook, London, EC4N 8AF, 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. Subject to restrictions relating to COVID-19 and public gatherings in force at the time of the Annual General Meeting, 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
9 March 2021



Nomination Committee Report

With an eye to the future, the Committee spent the majority of our time in 2020 updating succession planning for the leadership of the Group and working with the CEO to re-design the executive decision making framework of the Company to expand employee engagement and improve diversity and inclusion therein

Purpose

The role of the Nomination Committee is to ensure that there is a formal, rigorous and transparent procedure for the appointment of new Directors to the Board, to lead the process for Board appointments and the re-election and succession of Directors and the Chairman, to ensure that plans are in place for orderly succession to the Board and senior management positions, to oversee the development of a diverse pipeline for succession and to make recommendations to the Board in connection with the same. Its key objective 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 contribution of each Board member to the Group is set out in the 'Board of Directors' skills section in the Directors' Report on page 82.

Key responsibilities

- Regularly reviews the size, composition and skills of the Board 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
- Leads the process for appointments 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 the marketplace
- Advises the Board on succession planning for Directors and other senior management appointments, although the Board as a whole is responsible for succession generally
- Oversees a diverse pipeline for succession
- Considers the setting of diversity and inclusion policies, objectives, targets and strategies, alongside the Group's HR team and 30% Club working group, and monitors the impact and outcome of any agreed initiatives
- Oversees the induction of new Directors and the training requirements of the Board as a whole
- Oversees the Group's controls over Director and senior management conflicts and potential conflicts of interest, including disclosure, authorisation and management of the same as may be appropriate or otherwise required by law or regulation
- Assists the Chairman in the annual evaluation of the Board, ensures an externally facilitated evaluation at least once every three years and oversees the implementation of any actions or feedback arising from each evaluation

Membership and meetings

The Nomination Committee is chaired by Sir Douglas Flint. Its other members, as at 31 December 2020, were all the other Non-Executive Directors ensuring a majority of independent Non-Executive Directors as prescribed by the Code.

The Nomination Committee meets as and when required, or as requested by the Board, and had three scheduled meetings and nine ad hoc meetings during 2020. The attendance by each member of the Nomination Committee at the scheduled meetings during 2020 is set out on page 91.

Committee activities during 2020 Board composition

- Reviewed the size and diversity of the Board, including the matrix of skills present amongst the current members and where any gaps may be

Succession planning

- Continued to monitor the tenure of the Non-executive Directors and, in connection with this, agreed the succession approach to the position of Senior Independent Director (see page 89)
- Agreed an Executive Leadership succession plan (see page 102)
- Reviewed the current progress of senior management and below Board succession planning and the development of the internal talent pipeline

Governance

- Reviewed the terms of reference for the Nomination Committee
- Reviewed corporate governance trends
- Reviewed and agreed a proposal presented by the Executive Directors for the formation of a new Executive Committee.

Evaluation

- Oversaw the 2020 internal evaluation of the Board and its Committees, including a review of the progress against the actions arising from the 2019 external Board evaluation and agreement of priorities and action points for 2021

Terms of reference

The terms of reference for the Nomination Committee were updated and adopted by the Board in May 2019 and, following a subsequent review in December 2020, it was concluded that no further substantive updates were required at this time. The Nomination Committee will review its terms of reference at least annually and will propose updates where necessary and to reflect current market practice.

Appointments

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

No new Directors or senior management were appointed during 2020.

The appointment process for future appointments is as follows:

Step 1

Nomination Committee works with both the Group People Director and IP Exec, the Group's in-house executive search function, to conduct a mapping exercise of the Board's existing skills, experience, knowledge and balance and to identify any gaps which it may wish to fill.

Step 2

Nomination Committee considers whether the services of an external search consultancy are required in addition to the Group's in-house capabilities and whether to use public advertising.

Step 3

Nomination Committee reviews and prepares a detailed job specification.

Step 4

A diverse list of candidates is created and, following review by the Nomination Committee, is distilled into a shortlist. All future shortlists will be gender balanced (an equal number of male and female candidates will be presented for interview), and we will always seek to include at least one candidate from another under-represented group in the final shortlist.

Step 5

Interviews with shortlisted candidates are carried out by the Chairman and certain other Directors.

Step 6

The Nomination Committee makes a recommendation to the Board and, if in agreement with the recommendation, the Board approves the chosen candidate.

Diversity and inclusion

The Board is committed to a culture that attracts and retains talented people to deliver outstanding performance and further 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 board balance and composition. 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,

under which the Nomination Committee considers diversity in the wider sense including, but not limited to, gender, nationality and ethnicity in evaluating the composition of the Board and the senior management team, in identifying suitable candidates for Board and senior management appointments and in overseeing a diverse pipeline for succession. While the Group continues to endorse the Hampton-Alexander target of 33% women in FTSE 350 Board and senior management teams, it continues to believe that it is not appropriate nor in the Group's best interests to include either Board, senior management or Group-wide fixed gender targets in its policies at this stage. It did however set itself an aspirational target of at least 30% female representation at Board level and is pleased to note that, following the various board changes through 2019 and 2020, this target has now been achieved. The Board's intention is to maintain female representation of at least the current level but will continue to consider all aspects of

Nomination Committee Report continued

diversity in the wider sense when assessing the overall Board and senior management composition and in making new appointments going forward.

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

Even though it has elected not to set fixed targets at this stage, the Nomination Committee remains committed to ensuring that the Group is able to attract and retain as diverse a range of employees as possible. The Nomination Committee is pleased to note the development of group policies and the range of initiatives being undertaken by the Executive team to improve in this area (see page 71), together with the increased diversity on the newly formed Executive Committee (see below and page 71) and looks forward to significant continued progress in increasing both diversity and inclusion during 2021.

When Board or senior management vacancies arise, the Nomination Committee will engage the Group's in-house executive search function and/or external search consultants (as appropriate) and will require them to identify and present qualified people from a range of diverse backgrounds, gender, nationality, age and ethnicity to be considered for appointment.

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.

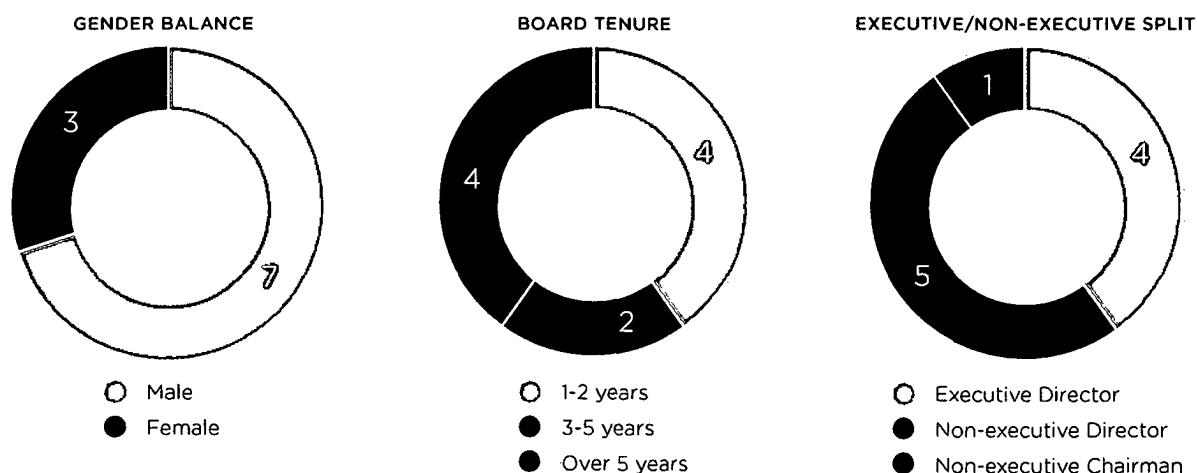
Executive Directors

Two of the key actions arising from the 2019 externally facilitated board evaluation exercise were for the Board to:

- bring more formality to the succession plans in place for senior management, including the Executive Directors; and
- review the construct and composition of the forum through which the Board's delegated authority to the executive is intended to be conducted, taking into account the Group's commitment to diversity in all its forms and specifically gender.

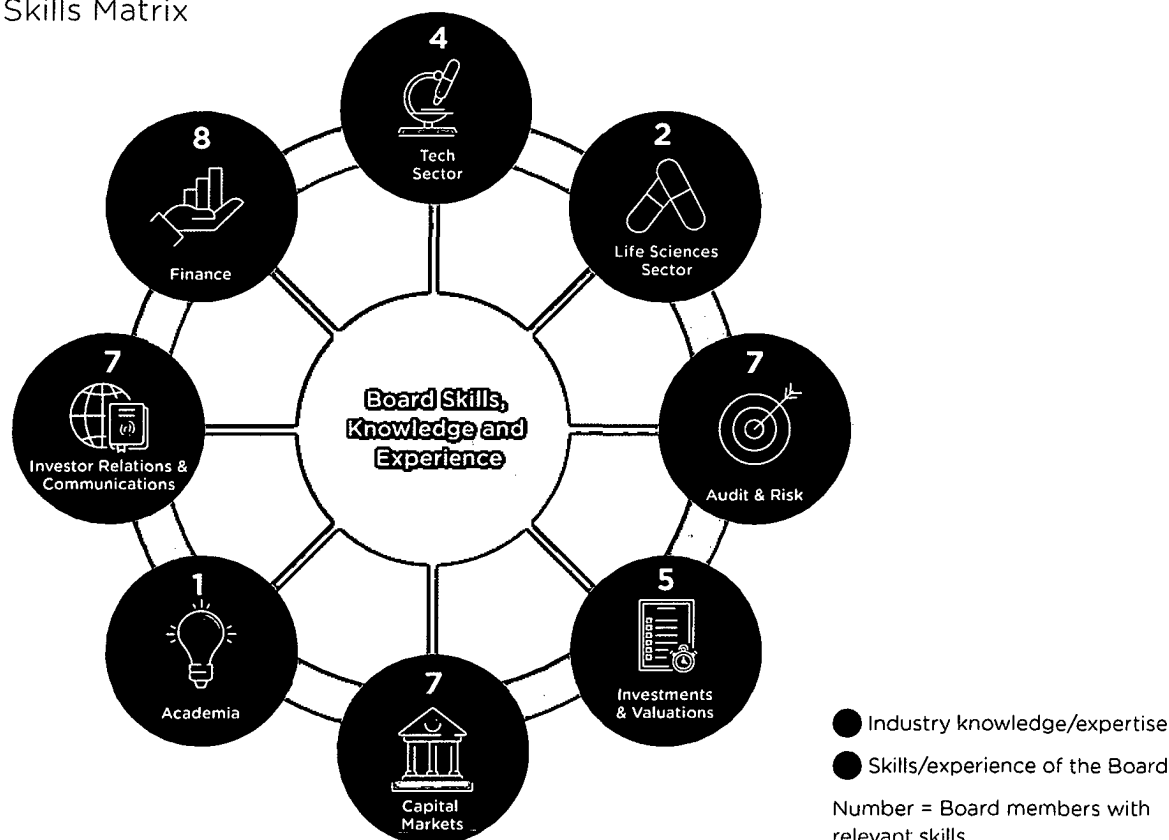
In response and as outlined on page 70, the Executive Directors had intended to finalise the creation of a new Executive Committee by the end of 2020. The start of this process was delayed by the reprioritisation of internal senior resource in response to COVID-19 through 2020. During the intervening period, the Nomination Committee took the opportunity to broaden the scope of its succession planning project to review, with the objective of simplifying, the overall Board structure.

Composition of the Board



A breakdown of the Group's people by gender, including the gender balance of senior management, as at 31 December 2020 can be found on page 71.

Skills Matrix



While reviewing the design and shape of the Board, together with the initial proposals for the composition and construct of the new Executive Committee, the Nomination Committee reflected on the longer-term management of the Group, particularly in light of the growing maturity of the portfolio and the strong pipeline of portfolio realisations reasonably likely to occur in the coming years; some of these have now taken place as discussed in the CEO's operational review. Given that building companies from inception to scale is a multi-year task which has to be conducted alongside prioritising and managing portfolio realisations within an agreed long term strategic framework, the CEO invited the Nomination Committee to initiate a process to refresh succession planning for the future Executive Leadership of the Group.

The Nomination Committee therefore embarked upon a more comprehensive Executive Leadership succession planning exercise than had originally been planned for 2020. The Committee's objectives were to assess objectively the future needs of the Board in terms of delivering on the Group's strategy and to benchmark existing leadership resources against those needs and to consider external recruitment or internal development plans so that the Group would be in a position to manage a smooth transition, as and when applicable.

In undertaking this exercise, the Nomination Committee utilised the services of an external executive search and leadership consultancy firm, Spencer Stuart (i) to assist the Nomination Committee in identifying and assessing leadership potential, both from within the internal pool of candidates and externally, and (ii) once identified, to interview and evaluate the same using their internally developed evaluation tools, and to report the results of this exercise back to the Nomination Committee to assist it in assessing and ranking such candidates' suitability.

The process was undertaken primarily through virtual interviews and meetings throughout the second half of 2020. The process required several ad hoc meetings of the Nomination Committee to discuss the assessments and the various options that were presented. Towards the end of 2020, the Nomination Committee had concluded its own process, with agreement on an Executive Leadership succession plan. Due to the desire to ensure continued stability for the Group, its staff and its portfolio companies during the current circumstances, together with expected portfolio events in the near term, the Committee concluded it should defer finalising its recommendation to the Board in respect of such plan until such time as there was greater stability in the wider environment and expected portfolio events had occurred.

Nomination Committee Report continued

Having considered how any such future succession process might impact upon the planned Executive Committee structure and Board simplification, the Nomination Committee asked the Executive Directors to prioritise the formation of the new Executive Committee.

Progress has already been made on this front in the first few months of 2021, with the initial stages of the formation process having been accomplished. The Committee is pleased to note that the commitment made by the CEO last year to make diversity a key consideration in the formation process has been achieved. Two Employee Executive roles are in the process of being added to the Executive Committee to bring further diversity of thought, ensuring the team is a high-performing one. In addition, in the first instance, there will be female representation of 25% (previously 0%). Further details around the new Executive Committee and the Employee Executive roles are set out on page 71.

Non-executive Directors

Following the appointments of Dr Caroline Brown and Aedhmar Hynes in 2019, the Board did not make any non-executive appointments during 2020.

The Nomination Committee specifically considered the tenure of each of its Non-executive Directors at its meeting in December. It was noted that Professor David Begg, the Senior Independent Director, will reach nine years' tenure during 2021 and will therefore stand down as a director at the AGM in 2021. After consideration of an appropriate candidate to succeed Professor Begg as Senior Independent Director, the Nomination Committee noted at its meeting in March 2021 that Aedhmar Hynes has accepted the invitation to do so, with the unanimous support from her Non-executive colleagues. It is expected that this appointment will take effect from the conclusion of the 2021 AGM, subject to Aedhmar Hynes' re-election as a director at that meeting.

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. The Nomination Committee intends to work closely with the Group People Director, as he and his team drives forward the development of internal talent in 2021. This will include putting in place the structures to identify, support and develop future leadership talent from within the Group, with the aim of ensuring the development of a diverse and robust succession pipeline for the senior management and their direct reports.

See page 100 for further commentary on the anticipated approach to succession planning below board for 2021.

Board effectiveness and performance evaluation

The Board carries out a review of the effectiveness of its performance and that of its committees and directors every year. The evaluation is externally facilitated every three years. The next external evaluation will be in respect of the 2022 financial year.

Following the external Board effectiveness review last year, it was agreed that an internal review be conducted this year.

2020 evaluation process

The 2020 internal evaluation process was led by the Chairman, with the support of the Company Secretary. The evaluation was carefully structured, but pragmatic, designed to bring about genuine engagement with the process, to check on progress against actions identified in the 2019 evaluation, and to assist in identifying any potential areas for improvement and/or prioritisation for the Board for the year ahead. The process itself involved a detailed analysis of the progress made against the actions agreed as part of the 2019 external evaluation, applying a RAG rating against each action. Each of the Board members and the Observers were invited to comment on this analysis during one-to-one video conference sessions with the Company Secretary. During the same sessions, the Company Secretary also discussed areas for improvement for the Board and its Committees during 2021, as well as reflections on how the Board and its Committees had operated remotely, as it had been required to do for the large part of 2020, what had been learnt about working together in this way, any practices that should be retained and what the Board and Chairman's priorities should be for 2021. In addition, the process also involved a slighter deeper dive into the operation and effectiveness of each of the Committees during the year in review.

The internal review identified some opportunities for the Board and the resulting areas of focus for the year ahead are summarised below:

- To further refine the Group's capital planning framework to address disposition strategies for material portfolio liquidity events.
- To review and approve an updated Group strategy, including portfolio investment over the next 5 to 10 years, and to include impact and ESG priorities.
- To champion and monitor greater diversity and inclusion and employee engagement across the Group.
- To ensure the newly formed Executive Committee operates effectively.
- To oversee the smooth implementation of the Executive Leadership succession plan as and when finalised.

Progress against 2019 actions

Set out below is the progress made against actions identified through the 2019 external Board effectiveness review:

Action	Progress
To bring more formality to the succession plans in place for senior management, including the executive directors.	Executive Leadership succession plan agreed during the year (see page 102); further succession planning work for the next level down to be led by the Group People Director in 2021.
To hold dedicated Board session to agree alignment of the role and objectives of the Board and its committees with the Group's s172 responsibilities	Whilst the Board and each of its Committees and Directors continue to consider the s172 responsibilities on an ongoing basis in the conduct of its business and decision making, no dedicated session was held in 2020. Carried over to 2021, following completion of Executive Committee formation (see below arising from the 2020 evaluation and page 104).
To review the construct and composition of the forum through which the Board's delegated authority to the executive is to be conducted, taking into account the Group's commitment to diversity	The Board has overseen the initial stages of the formation process of the new Executive Committee. Female representation increased to 25%, from 0%, in the first instance. Two Employee Executive roles are in the process of being added to bring further diversity of thought (see more on pages 70 and 71).
To continue to build on and strengthen the work carried out in 2019 to ensure that the views of the Group's stakeholders are considered by the Board in its deliberations and decisions	The Board oversaw and participated, as appropriate, in an exercise to improve and formalise the data collection around the ongoing and/or specific engagement it has with the Group's identified key stakeholders (see page 95) during 2020, including to ensure record-keeping of the communication of the Board's decisions and outcomes to interested stakeholders and how their views have been taken into account.
For the Executive Directors and Company Secretary to ensure there is greater clarification in Board and committee papers of the actions and input required by the Board and committee members in response to each agenda item	Significant effort went into setting clear agendas for all Board and Committee meetings to ensure that the action and input required from the Board or respective Committee members in respect of each was clear, and that appropriate time was dedicated to priority topics. All Board members agreed that these had improved the efficiency and operation of meetings, particularly important when operating remotely.
Building on the appointment of Aedhmar Hynes as the Designated NED for workforce engagement, to formalise how the outcomes of Board and Committee meetings are communicated to the wider workforce to ensure, amongst other things, consistency of messaging	Significant progress was made on the communication of Board outcomes during 2020, in part due to the increased frequency and breadth of employee communications as part of the Board and Executive team's pandemic response. Communication occurred via several methods including through Aedhmar Hynes' attendance at IP Connect, the weekly CEO email and regular all-staff calls immediately following the Board and Committee meetings (for further information on both the two-way dialogue facilitated by IP Connect and the Group's employee communications, see pages 71 and 72).
To continue to build on the Board's strategic dialogue and to further define the strategy development process ahead of the Board's strategy days in 2020.	Good progress was made during the year in further developing and refining the Group's approach to capital allocation, culminating in the adoption of a formal capital allocation policy in July 2020. The application of this for 2021 and beyond was then considered at the Board's strategy sessions in November and December in order to balance the shorter- and longer-term capital needs of the Group's various business units. See pages 75 and 76 for more detail.

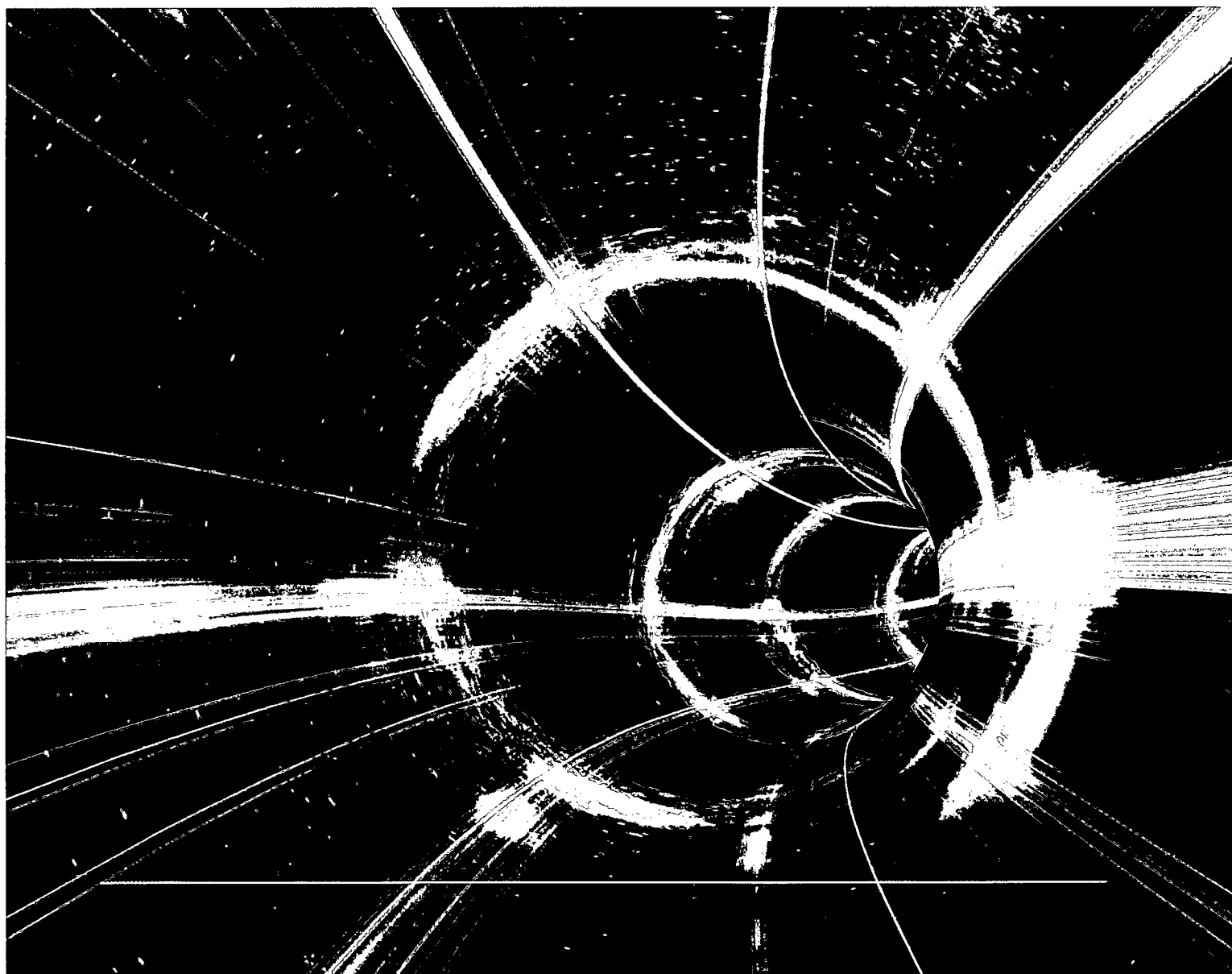
Nomination Committee Report continued

Conclusion of the 2020 review

The internal evaluation concluded that the Board, its Committees, and each of its Directors continue to be effective, with good progress being made against the majority of key actions identified from the 2019 external review, unanimous agreement that the Board and its Committees had operated well remotely through 2020, with some positive learnings and behaviours to take forward from this, and with clear priorities and actions having been identified for 2021. The effective stewardship and management of Board meetings by the Chairman, and his cohesive, collegiate and inclusive style, was commented on, creating a conducive environment at Board meetings for participation and challenge. Furthermore, each of the Board Committees have an agreed set of clear priorities for the year ahead.

Director performance assessment and review

The performance of each of the Non-Executive Directors is reviewed by the Chairman with support from the Company Secretary, the performance of the CEO is reviewed by the Chairman and the operational performance of the other Executive Directors 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 individual from the Board evaluation process and individual development plans arising from these meetings are now in the process of being put in place for the year ahead.



Directors' Remuneration Report

Remuneration Statement



Heejae Chae
Chair of the
Remuneration
Committee

■

Exceptional performance reflected in strong incentive outcomes across the business."

Dear fellow shareholder,

I am pleased to present the Directors Remuneration Report ("DRR") for the year ended 31 December 2020. This DRR is prepared on behalf of the Board.

Overview

2020 was an exceptional year for IP Group, with record Return on Hard NAV and cash realisations combined with a strong recovery in our share price. The strong performance of our share price has also continued into 2021. The shareholder-aligned nature of our incentive schemes means that remuneration outcomes for both executives and wider staff are strongly aligned to Group financial performance over both the short and long term. I am confident that the calculated remuneration outcomes for 2020 are reasonable in the context of overall performance of the Group, without any requirement for discretionary adjustment. I elaborate further on both of these points below.

That being the case, and as we continue to endure a period of unprecedented challenge and change as a result of COVID-19, we intend to take a largely consistent approach to executive reward for 2021.

Before publication of our 2021 report we will undertake our triennial review of our Remuneration Policy. The focus of the review will be to ensure that our remuneration structures align with our maturing approach to patient capital investment, stewardship of our portfolio for the long-term and an alignment of interests between our executive group and a wider range of stakeholders.

As a result of this broad focus, we are anticipating that the review might result in a change to our remuneration structures, with a particular focus on our Long-Term Incentive Plan. I look forward to engaging positively with our shareholders later in the year.

2020 Performance and Incentive Outcomes

As outlined in the Strategic Report, Group performance in 2020 was exceptional. This is a testament to the increasing relevance of IP Group and our portfolio companies in a changing world, and both the quality and resilience of our team. Return on Hard NAV was a record £196m and realisations a record £191m, both well in excess of the stretching targets set at the start of the year and before the onset of the COVID-19 pandemic. We didn't meet our net overheads target for 2020. This was primarily due to the reduction in revenues from our fee generating business units, largely as a result of the pandemic. While the Group managed its costs appropriately, ensuring these were below budget, management chose not to make any significant short-term reductions, believing this to be in the best long-term interests of the Group. Indeed, across the Group, no redundancies were made, nor did we place any team members on furlough.

Progress against our employee-focused non-financial objectives (outlined on page 20) was also strong, with the significant improvements in employee engagement and reduction in attrition over a very challenging year particularly noteworthy. During the course of the year significant resource was deployed to ensure all of our people were (and remain) supported, protected and productive during a period of significant disruption.

Our assessment of the weighted quantitative targets indicated a bonus out-turn of 93.3% of target, with Hard NAV performance and realisations contributing the vast majority of this.

The Committee members and I discussed the output of the quantitative process at length. We considered whether this out-turn appropriately reflected the balance of both quantitative and qualitative performance during 2020, especially considering the impact of external market factors (including the impact of COVID-19). We also considered the anticipated total remuneration

Directors' Remuneration Report continued

Remuneration Statement

outturns for the executives, including the fact that our stretching long-term incentive scheme targets are not anticipated to be achieved again this year.

We concluded that delivery of such positive in-year performance from our portfolio, combined with our commitment to our employees and the many positive impacts that our portfolio companies have had on wider society, delivered against a challenging backdrop is deserving of significant reward. As part of this review, we noted that whilst some of our portfolio companies have accessed COVID-19-related support, including convertible loans from the Future Fund in the UK and loans under the CARES Act in the US at the IP Group level we did not furlough any of our team, nor access any of the UK Government support schemes. Our results were not materially impacted by any government support. We also noted progress against engagement, retention and diversity metrics, and plans for continued improvement. Overall, we determined that the formulaic AIS outcome of 93.3% was appropriate. Consistent with our Remuneration Policy, a significant proportion of this AIS award will again be deferred into IP Group plc equity.

A key principle of our philosophy is the strong alignment between the incentive structures which apply to our executives and the wider business. As a result, the AIS extends to all employees throughout the Group, and part of every bonus is based on Group performance measures. This year, these Group aligned AIS elements will be paid at 95% of maximum – slightly above the out-turn for Executives – meaning that this positive outcome was shared by all those who helped to contribute to it.

Whilst in-year performance was strong, it was delivered against a backdrop of weaker performance in the two preceding years. As a result, the cumulative three-year return on the Group's Hard NAV did not meet the 8% per annum threshold target for the 2018 LTIP awards. And whilst the absolute Total Shareholder Return ("TSR") performance period of the 2018 awards runs to 31 March, at this stage we do not anticipate that the minimum 8% annualised return will be met on this measure. As a result, we expect that the vesting of LTIP awards in 2021 will once again be zero.

The Committee considers that the combination of these outcomes resulted in an appropriate overall outcome for the Executive Directors, reflective of our 'pay for performance' principles, and the stretching incentive targets which are aligned with the interests of our shareholders and other stakeholders.

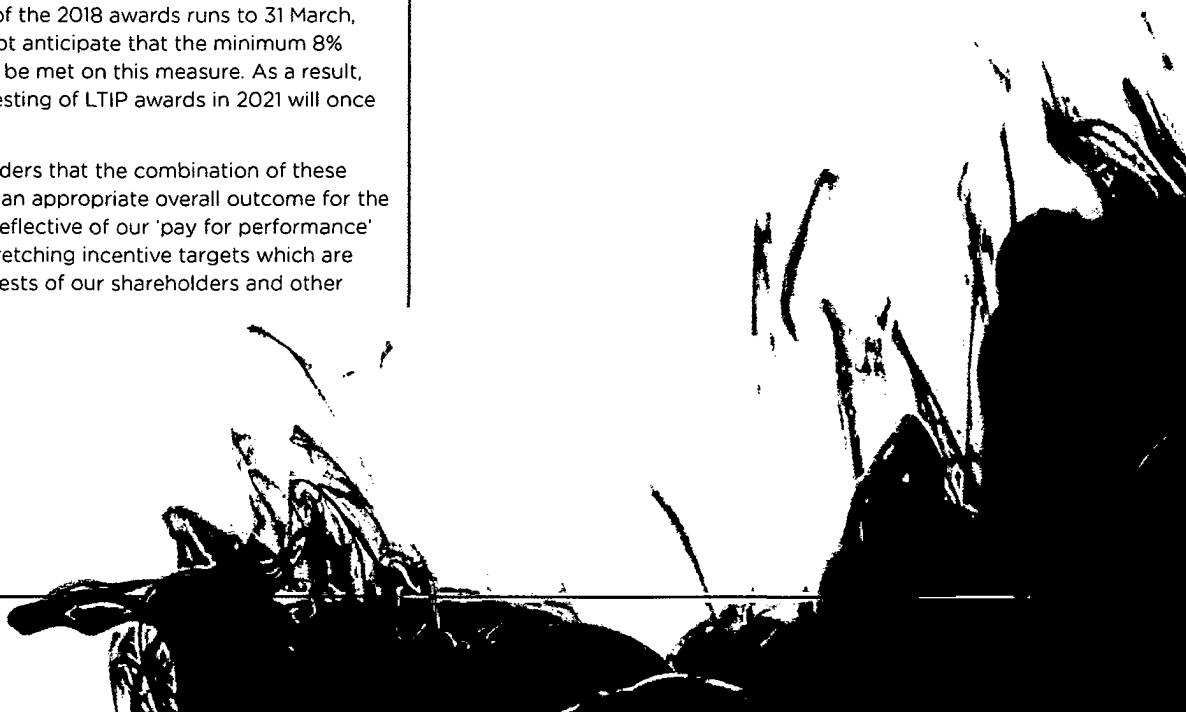
Executive Directors' remuneration for 2021

As set out above, later this year we will undertake our regular triennial review of Remuneration Policy. As part of this review, we intend to undertake a more fundamental review of director salary benchmarks, targets and levels. As such, for 2021 the Committee has determined that an approach of restrained, incremental salary progression would be prudent for all positions. Base salary increases for all Executive Directors will therefore be aligned with the baseline increase (excluding promotional increases and/or reactions to market changes) of 2% for our wider employees.

Consistent with the Group's approved Remuneration Policy, there will be no change in structure of or maximum AIS or LTIP opportunities for 2021.

For 2021, the Committee will continue to base the same proportion (60%) of the AIS outcome for directors on the Return on Hard NAV, and an increased proportion (10%, 2020 5%) on our combined non-financial KPI measure, which is contingent upon improvements in both employee engagement and workforce diversity measures.

Once again, performance and vesting of LTIP awards to be made during 2021 will be determined by growth in Hard NAV and TSR, with the stretching performance targets unchanged. In 2020, award levels were adjusted downward from maximum levels to reflect the fall in Group share price during 2019. For 2021, and given the positive performance of the Group's share price during 2020 and 2021 to date, we anticipate that LTIP awards will return to the level in our Remuneration Policy, being 300% of basic salary for CEO and 200% of basic salary for other Executive Directors, although, as in previous years and in line with good practice, the Remuneration Committee will consider the position at the time of the 2021 awards.



Summary of our reward framework

Our reward framework for Executive Directors, which continues unchanged, is summarised below:

Salary	Typically, salaries approach the bottom end of a market competitive range for similar sized companies
Pension	10% of salary contribution to Company defined contribution plan, personal pension plan or cash equivalent - The pension level is in line with the wider workforce for all Executive Directors
AIS	- Maximum 100% of salary - Based on stretching return on Hard NAV targets disclosed retrospectively and prospectively and other relevant 'leading indicators' of performance as determined by the Committee each year - Formulaic outcomes may be adjusted at the discretion of the Committee to reflect overall business or individual performance - Half of any bonus above a minimum amount deferred into equity over two-year period - AIS arrangements cascade to all employees in the business, with components based on team and/or individual objectives for non-director employees
LTIP	- Annual awards of 275% of salary (CEO) and 185% of salary (other Executive Directors) - Based on stretching Hard NAV and TSR growth targets (with a discretionary relative TSR underpin) - Formulaic outcomes may be adjusted at the discretion of the Committee to reflect overall business or individual performance - Includes a two-year post-vesting holding period - LTIP arrangements reserved for senior managerial levels and roles which are expected to have a material financial impact on the Group's outcomes
Shareholding guidelines	200% of salary (CEO) and 150% (other Executive Directors) - Post-employment shareholding policy in place
Malus and clawback	Comprehensive malus and clawback provisions on all variable elements

Employee Engagement and Feedback

In January 2021, we engaged with our employee consultation group 'IP Connect' on the subject of executive remuneration. Our aim in doing so was to ascertain whether our employees feel the level of salary and overall remuneration available to our executive directors is well understood, and considered to be fair, equitable and reasonable in the context of the rewards we offer elsewhere in the business.

We were pleased to find that the employees we consulted had a good understanding of our approach to executive remuneration. We believe this is direct result of the strong alignment between our executive structures and outcomes and those for the rest of the business. Further, the representatives did not indicate any issue with the level of remuneration offered to our executive directors, either base salary or total opportunity.

Whilst overall we were pleased with the positive feedback on our approach, we note that IP Connect did comment on the level of complexity and volatility of outcome inherent in our existing Long Term Incentive Plan, both in terms of Executive Director remuneration and (as a result of the alignment in our approach across the business) the impact on our other senior managerial roles. This feedback will be considered as part of our planned review later on in 2021.

Shareholder support and engagement

Our 2019 Remuneration Report received 98.9% of the votes cast in favour at our AGM in June 2020. Whilst we are pleased to maintain this high level of shareholder support and engagement, we are also committed to maintaining open and transparent remuneration principles and practices.

In conversation with our major shareholders, we agreed to reduce the 400% limit on LTIP awards in the Plan Rules to 300%, aligning our Plan Rules with our Remuneration Policy, and removing the discretion to make excess awards in exceptional circumstances.

I welcome the opportunity to further discuss the Group's remuneration with any shareholder at any time during the year, and I look forward to proactively instigating such discussions as part of our triennial review process later in 2021.

Structure of this Report

The following pages contain an extract of our Remuneration Policy (as approved by shareholders in 2018), a summary of how we intend to implement the policy during 2021 and detailed disclosure of outcomes in respect to 2020.

ON BEHALF OF THE BOARD

Heejae Chae

Chairman of the Remuneration Committee

10 March 2021

Directors' Remuneration Report continued

Annual Remuneration Statement

Remuneration policy

The Remuneration Policy was approved at the AGM held on 28 May 2019 and was effective as of that date. An extract of the policy table for executive directors contained in that policy is re-produced below for information only. The full Remuneration Policy is contained on pages 93 to 101 of the 2018 Annual Report and Accounts which is available in the investor relations section of the Group's website.

Remuneration Policy table

The table below sets out the key components of the Policy for Executive Directors' remuneration.

Component	Purpose and link to strategy	How this component of remuneration operates	Maximum opportunity	Performance metrics
Salary	To provide an appropriate level of fixed cash income to attract and retain individuals with the personal attributes, skills and experience required to deliver the Group's strategy.	Generally reviewed annually with increases currently effective from 1 April. Base salaries will be set by the Committee taking into account a range of factors, including but not limited to: • scale, scope and responsibility of the role; • skills and experience of the individual; • retention risk; • pay and conditions across the Company; • base salary of individuals undertaking similar roles in companies of comparable size and complexity; • performance of the individual and IP Group; • impact of salary increases on total remuneration of the package; and • appropriate market benchmarks	There is no prescribed maximum annual salary. Annual salary increases for executive directors will not normally exceed the average increase awarded to other UK-based employees. Increases may be above this level in circumstances where the Committee considers it appropriate, for example if there is an increase in the scale, scope or responsibility of the role or to allow the base salary of recently appointed executives who are appointed on initially lower levels of base salary to move towards market norms as their experience and contribution increase. Where a significant discrepancy exists between an executive director's current salary and market levels, the Committee will normally phase any increases over a number of years.	None, although performance of the individual is considered by the Committee when setting and reviewing salaries annually.
Pension	To provide a competitive post-retirement benefit in a way that manages the overall cost to the Group in order to retain individuals with the personal attributes, skills and experience required to deliver the Group's strategy	Contribution to Group Pension Plan (defined contribution scheme) or to personal pension plan of the relevant executive's choosing or an equivalent cash alternative. No element other than base salary is pensionable.	Maximum pension is 10% of base salary.	Not applicable.

Component	Purpose and link to strategy	How this component of remuneration operates	Maximum opportunity	Performance metrics
Benefits	To provide a competitive and appropriate benefits package to assist individuals in carrying out their duties effectively and to retain individuals with the personal attributes, skills and experience required to deliver the Group's strategy.	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) and telecommunications such as broadband. The Group also offers certain salary sacrifice schemes including childcare vouchers, purchase of additional holiday and Ride to Work. 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. Additional benefits, which may include relocation or expatriation benefits, housing allowance or other benefits-in-kind, may be provided in certain circumstances if considered appropriate and reasonable by the Committee, including as may be required on recruitment.	The cost of benefits provided changes in accordance with market conditions and will, therefore, determine the maximum amount that would be paid in the form of benefits under the Policy. There is therefore no overall maximum opportunity under this component of the Policy. One-off benefits, e.g. relocation, shall not ordinarily exceed 25% of base salary other than in exceptional circumstances at the discretion of the Committee. Maximum awards under all-employee share plans would be subject to prevailing statutory limit.	Not applicable.



Directors' Remuneration Report continued

Annual Remuneration Statement

Component	Purpose and link to strategy	How this component of remuneration operates	Maximum opportunity	Performance metrics
Annual Incentive Scheme ("AIS")	To provide a simple, competitive, performance-linked annual incentive mechanism that will: - attract, retain and motivate individuals with the required personal attributes, skills and experience; - provide a real incentive to achieve our strategic objectives; and - align the interests of management and shareholders.	The AIS is reviewed annually prior to the start of each financial year to ensure the detailed performance measures and weightings are appropriate and continue to support the business strategy. Financial and/or non-financial performance targets are set at or around the start of each financial year. Actual AIS amounts are determined via a two-stage process. Firstly, performance against the agreed metrics is assessed. Secondly, the Committee reviews these results in the context of underlying business performance and the Group's financial position and may adjust the stage one outcome at its discretion. Above a suitable minimum cash amount, set by the Committee at the start of each year, awards will typically be payable 50% in cash and 50% in IP Group shares. The share element is in the form of conditional awards of shares or nil-cost options (or equivalent at the Committee's discretion) and is subject to further time-based vesting over two years (50% after year 1 and 50% after year 2) although the Committee may adjust the percentage split between cash and shares based on the financial position of the Group. In certain circumstances, including, but not limited to: - serious misconduct by a participant; - material misstatement of financial results; - payments based on erroneous or misleading data; - serious reputational damage; or - material corporate failure. The Company will be entitled to claw back the value of any cash amount paid under the AIS for that year and to cancel the vesting of any deferred share element, for a period of up to three years following the date of award or payment.	The maximum annual level of award is 100% of salary. Given the Group's salary year currently runs from 1 April to 31 March, the base salary used will normally be that which is in effect at the end of the annual financial year to which the award relates.	Specific targets and weightings will vary from year to year in accordance with strategic priorities but may include targets relating to: - relative or absolute TSR; - Hard net assets; - Financial performance; - appropriate non-financial measures; and - attainment of personal objectives. Weighting will be primarily towards Group financial performance. Performance will typically be measured over one year. The AIS is a discretionary plan and the Committee retains the discretion to adjust any formulaic outcome to reflect overall business or individual performance or any other reason considered appropriate.

Component	Purpose and link to strategy	How this component of remuneration operates	Maximum opportunity	Performance metrics
Long-Term Incentive Plan ("LTIP")	To provide a competitive, performance-linked long-term incentive mechanism that will: - attract, retain and motivate individuals with the required personal attributes, skills and experience; - provide a real incentive to achieve our strategic objectives; and - align the interests of management and shareholders	The LTIP is reviewed annually prior to the start of each financial year to ensure the detailed performance measures and weightings are appropriate and continue to support the business strategy. Financial and/or non-financial performance targets are set at or around the start of each financial year. Awards under the LTIP typically comprise conditional awards of shares in IP Group (although instruments with similar economic effect may be used if considered appropriate). Any share awards that vest, net of any tax and NICs liabilities, are subject to a further two-year holding period. In certain circumstances, including, but not limited to: - serious misconduct by a participant; - material misstatement of financial results; - payments based on erroneous or misleading data; - serious reputational damage; or - material corporate failure the Company will be entitled to reduce the number of shares in respect of an unvested award and/or claw back any shares within the two-year period post vesting. Calculations of the achievement of the vesting targets are reviewed and approved by the Committee.	The maximum annual level of award is: 300% of salary for the Chief Executive Officer; and - a lower percentage for other executive directors. Each year the Committee determines the annual award for each executive director within the above Policy limits.	Specific targets may vary from year to year in accordance with strategic priorities but shall be based on: - relative or absolute TSR; and - Hard net assets. These performance criteria shall normally be presented in a matrix format similar to that set out in the Annual Remuneration Report. The level of vesting for threshold performance is 25% of the maximum. Performance will ordinarily be measured based on a performance period of three years. The Committee retains the discretion to adjust any formulaic outcome to reflect overall business or individual performance or any other reason considered appropriate

Statement of implementation of remuneration policy in the following financial year

The Group targets a remuneration package for its executive directors that will enable the attraction, retention and incentivisation of individuals of the highest calibre in order to successfully deliver the Group's strategic objectives. We have continued to apply our performance-based philosophy with a focus on the long term and consistent with a 'lower base/higher variable' approach.

Salary

With effect from 1 April 2021, the base salaries of the executive directors will be:

	2020/21 base salary	2021/22 base salary	Increase %
Alan Aubrey (CEO)	£432,000	£441,000	2%
Mike Townend (CIO)	£286,000	£292,000	2%
Greg Smith (CFO)	£297,000	£303,000	2%
David Baynes (COO)	£286,000	£292,000	2%

Directors' Remuneration Report continued

Annual Remuneration Statement

As has been the case for a number of years, the Committee considers that, as part of a competitive overall package, base salaries should be within a market competitive range. Given IP Group's business model and stage of development, this has been at around the lower quartile of companies of a similar size and complexity. The Committee will complete the triennial review of the Remuneration Policy this year, with any changes to be implemented in 2022. As part of this, we will consider appropriate salary levels for each Executive Director in the context of external market benchmarks and total variable pay opportunity.

For 2021, the like-for-like base salary increase for UK employees will be around 5.0%, well above the level proposed for the Executive Directors, which is aligned to the baseline increase (excluding promotional increases and/or reactions to market changes) of 2%.

Pension and benefits

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

AIS

The maximum AIS opportunity will remain at 100% of base salary for all Executive Directors, in line with the policy. The majority of the 2021 AIS will continue to be based on the Group's Hard NAV performance. This is unchanged from 2020. The remaining 40% will be based on a small number of strategic objectives (30%), which will be set each year based on commercial priorities, and for which objectives, targets and performance will be disclosed retrospectively. In recognition of the importance of our people in the long-term success of our business, from 2020 we will be doubling the proportion of bonus attributable to employee engagement and culture, as follows:

- 60% on annual return achieved on the Group's Hard NAV;
- 30% on performance against a number of strategic targets; and
- 10% employee engagement and culture.

These measures are considered appropriate leading indicators of underlying business performance, including one that explicitly takes into account the engagement of our most valuable asset, our people. This latter objective will be measured using the new non-Financial KPI (introduced on page 16), with the calibration of any calculated outcome then led by the Group's Designated NED, Aedhmar Hynes, who in this regard has Board responsibility for bringing the voice of our employees into the Boardroom.

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

For 2021 the Committee has determined that threshold vesting of 25% of this element of the award will be available provided a minimum return of 5% is achieved while the maximum amount of this element will be available should a return of 15% or greater be achieved. In absolute terms, this requires the achievement of a return on Hard NAV in excess of £67m before any of the AIS component relating to return on Hard NAV may be awarded and a return in excess of £201m in order for this component to be awarded in full. The targets relating to the other measures outlined above, as well as the performance against these targets, will be disclosed in the 2021 Directors' Remuneration Report. Overall, the targets are considered by the Committee to be appropriately stretching, especially in light of the current economic climate and 2020 performance out-turns.

The AIS operates as a discretionary plan and as has historically been the case, in line with best practice and the provisions of the policy, the Committee may adjust any 2021 outcome to take into account overall business or individual performance or any other factors it considers appropriate.

LTIP

Consistent with the maximum opportunity for the LTIP awards under the policy, the Committee intends to make the 2021 LTIP awards at 300% of base salary for the CEO and 200% of base salary for all other Executive Directors. Performance will continue to be assessed against growth in Hard NAV and TSR as per the vesting table set out below.

Vesting matrix: 2021 LTIP awards

TSR (p.a.)	15%	60%	75%	90%	100%
	10%	30%	45%	60%	90%
	8%	12.5%	25%	45%	75%
	<8%	0%	12.5%	30%	60%
		<8%	8%	10%	15%
					Growth in NAV (p.a.)

Any awards that vest will be subject to a further two-year holding period (net of any tax and NICs where holding is not on a gross basis).

Chairman and non-executive directors

The fee for the Group's chairman will increase by 2% to £182,000. The fees for the non-executive directors will be increased from £45,500 to £46,500, reflecting a similar 2% increase to that applied to both our Executive Directors and Chairman. These increases are in line with those for the Executive Directors and the baseline increase for the employee population. Additional fees for chairing a Board committee, Designated NED and for being senior independent director shall remain at £10,000.

Single figure for total remuneration (audited)

The following table sets out the single figure for total remuneration for directors for the financial years ended 31 December 2020 and 2019.

	Base salary/ fees ¹		Fees recovered from Base Salary		Benefits ²		Pension ³		Total fixed		Annual bonus (AIS) ⁴		LTIP	Total Variable		Total		
All £000s	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Executive directors																		
Alan Aubrey ⁵	430	421	(82)	(86)	9	9	37	36	394	380	403	118	0	0	403	118	797	498
Mike Townend	285	279	-	-	6	6	25	24	316	309	267	78	0	0	267	78	583	387
Greg Smith	293	279	-	-	3	3	27	26	323	308	277	78	0	0	277	78	600	386
David Baynes ⁶	285	279	-	-	17	23	27	28	328	330	267	78	0	0	267	78	596	408
Non-executive directors																		
Douglas Flint	178	175	-	-	-	1	-	-	178	176	-	-	-	-	-	-	178	176
Jonathan Brooks ⁷	9	61	-	-	-	-	-	-	9	61	-	-	-	-	-	-	9	61
Elaine Sullivan	45	44	-	-	1	1	-	-	46	45	-	-	-	-	-	-	46	45
David Begg	55	54	-	-	-	-	-	-	55	54	-	-	-	-	-	-	55	54
Caroline Brown	55	25	-	-	-	-	-	-	55	25	-	-	-	-	-	-	55	25
Aedhmar Hynes ⁸	55	19	-	-	4 ²	8	-	-	59	27	-	-	-	-	-	-	59	27
Heejae Chae	55	53	-	-	-	1	-	-	55	54	-	-	-	-	-	-	55	54

NOTES

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. Commuting costs for non-executive directors are reimbursed and are subject to PAYE, and a consumable expenses payment of £26 (net) per month is paid to all employees, Executive and Non-Executive Directors to cover the additional costs of home-working.
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's bonus outturn was 93.3% of maximum for 2020. Consistent with the Remuneration Policy, the first £25,000 will be paid in cash and thereafter 50% paid in cash and 50% deferred in shares over two years.
5. Alan Aubrey's contractual base salary was £432,000 from 1 April 2020. In addition, Mr Aubrey retained board fees in 2020 totalling £81,859 (reduced due to retirement from Avacta in Jan 2019 and Ceres in Sep 2020) from portfolio companies in which the Group is a shareholder, and these fees were deducted from the base salary he is contractually entitled to receive from the company. The total amount received by Mr Aubrey from his salary and retention of portfolio board fees was aligned with his contractual base salary of £432,000.
6. David Baynes receives an annual car allowance or equivalent thereof of £12,000.
7. Jonathan Brooks retired on 10th March 2020.
8. Aedhmar Hynes joined the Board on 1 August 2019 assumed the role of Designated NED on 18 September 2019.



Directors' Remuneration Report continued Annual Remuneration Statement

Additional disclosures for single figure for total remuneration table (audited information)

Annual Incentive Scheme

The targets for the 2020 Annual Incentive Scheme (AIS) for Executive Directors were predominantly based on the annual return on Hard NAV, alongside three further leading indicators of underlying business performance. The targets applied for 2020 and the outturn against these are set out below:

Performance condition

(% weighting)	Vesting criteria	Actual performance (% of component)
Return on Hard NAV (60%)	5% return (£57.0m): 25% of maximum opportunity ('threshold') 15% return (£172.0mm): 100% of maximum opportunity	17% return 100% of component
Cash realisations from the portfolio (30%)	£nil to £100m (sliding scale)	£191m 100% of component
Level of net overheads (5%)	Net overheads (before AIS costs) lower than £18m (25%) to £17m (100%)	Net overheads (before AIS costs) £18.6m 0% of component
Employee engagement & culture	Demonstrable improvement in employee engagement, based on both objective and subjective measurements	70% score on blended 'People' KPI, based on improved eNPS scores, evidence of steps taken in response to employee feedback, progress against diversity targets and turnover (regretted losses) 70% of component awarded
Total weighted outturn		93.3% of maximum

The Committee members discussed the output of the quantitative targets and considered that this outturn appropriately reflected the overall performance of the business for the period in question. In particular the Committee noted record absolute return on Hard NAV performance, record realisations and a significant recovery in share price over the period. Further, it is recognised that the in-year performance versus Hard NAV and realisation targets is the culmination of significant efforts over a number of years, during which time much lower annual bonuses have been paid and no long-term incentive awards have vested. Therefore, no discretion was applied. The resulting AIS outturn for 2020 for the executive directors was therefore determined as 93.3% of maximum opportunity. In accordance with the Group's Remuneration Policy, all amounts to individuals above an initial minimum amount paid in cash, which for the 2020 AIS is £25,000, will be paid 50% in cash and 50% in shares (deferred over two years using the Group's Deferred Bonus Share Plan 'DBSP').

Long-term incentive scheme

2018 LTIP awards due to vest in March 2021

The 2018 LTIP awards are based on the performance of the Group's Hard NAV (the Group's net assets excluding intangibles) for the three financial years ending on 31 December 2020 and Total Shareholder Return ("TSR") from March 2018 to the ordinary vesting date, being 31 March 2021, 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 2018 LTIP outturn

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

Performance condition	Target Performance	Actual/forecast Performance
Hard NAV (at 31 Dec 2020)	8%: £1.67bn 15%: £2.02bn	1.33bn (0.1% p.a.)
Annual TSR ¹ (share price)	8%: 168p 15%: 202p	115p (-5.1% p.a. growth)
Comparative TSR	FTSE 250 +7.1%	IP Group -14.6%

¹ TSR performance shown reflects the Group's one-month average share price to 8 March 2020. Actual performance period is the one-month average to 31 March 2021.

The actual performance of the Group in terms of Hard NAV growth was below threshold and, based on the one-month average share price to 8 March 2021, was below the lower TSR target and that of the FTSE 250 TSR performance. On this basis, the 2018 LTIP award is not expected to meet the minimum performance criteria required for vesting. The

amounts disclosed above in the single remuneration figure table are based on this performance and resulting expected outcome. Actual vesting will be based on TSR performance to 31 March 2021.

2017 LTIP awards that were due to vest in March 2020

As reported last year, the Hard NAV growth target was not met. TSR measured over the three-year period to 31 March 2020 was negative and therefore the TSR condition was not met. Consequently, none of the 2017 LTIP awards vested.

2020 LTIP awards

The 2020 LTIP awards were made with a face value of 275% of salary for the CEO and 185% of salary for other Executive Directors, based on the share price at date of grant and vesting subject to performance. These awards were reduced

from the normal level (of 300% and 200% respectively) in recognition of the fall in the Group's share price in 2019. Any shares that vest shall be subject to a two-year holding period.

The performance conditions that apply to this award follows the same matrix structure with the same vesting parameters as that set out above for the previous awards. Hard NAV growth will be measured over the three-year period to 31 December 2022 (starting point: £1,141.5m at 31 December 2019). TSR shall be measured from 19 June 2020 to 31 March 2023 with a one-month average starting point of 59.9p (being the 30-day average to 18 June 2020).

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

Executive director	Type of interest	Basis of award (% salary)	Face value ¹ (000s)	Threshold vesting ²	End of performance period
Alan Aubrey	2020 LTIP	275%	£1,180	25%	31 Dec 2022 (NAV) / 31 Mar 2023 (TSR)
Mike Townend	2020 LTIP	185%	£529	25%	31 Dec 2022 (NAV) / 31 Mar 2023 (TSR)
Greg Smith	2020 LTIP	185%	£549	25%	31 Dec 2022 (NAV) / 31 Mar 2023 (TSR)
David Baynes	2020 LTIP	185%	£529	25%	31 Dec 2022 (NAV) / 31 Mar 2023 (TSR)

- The number of shares corresponding to the face value is calculated using the share price of 61.4p for all executive directors.
- Represents threshold vesting against both elements of the performance matrix. Lower vesting is possible if only one element of the matrix is partially met or as a result of the application of the performance underpin.

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

No payments for loss of office were made to past directors during the year nor were any payments made to former directors for director duties that have not already been included in their historic single figures of remuneration.

Change in remuneration of the directors compared to Group employees

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

	% change in base salary / fees 2019 to 2020	% change in bonus 2019 to 2020 ¹	% change in benefits (excluding pensions) 2019 to 2020
Alan Aubrey	2.1%	241.1%	8.0%
Mike Townend	2.0%	241.0%	11.1%
Greg Smith	5.9%	254.1%	5.1%
David Baynes	2.0%	241.0%	5.2%
Douglas Flint	2.0%	-	-
Elaine Sullivan	2.2%	-	-
David Begg	1.8%	-	-
Caroline Brown	1.8%	-	-
Aedhmar Hynes	1.8%	-	-
Heejae Chae	1.8%	-	-
UK employees	8.0%	78.7%	4.7%

- Increase in Executive Director bonus is primarily driven by increase in Group bonus to 93.3% of maximum (2019 27.9%). Employees benefit from a similar uplift to Group bonus, but also benefit from elements of bonus based on Team and Individual performance which paid out at a significantly higher level in 2019.

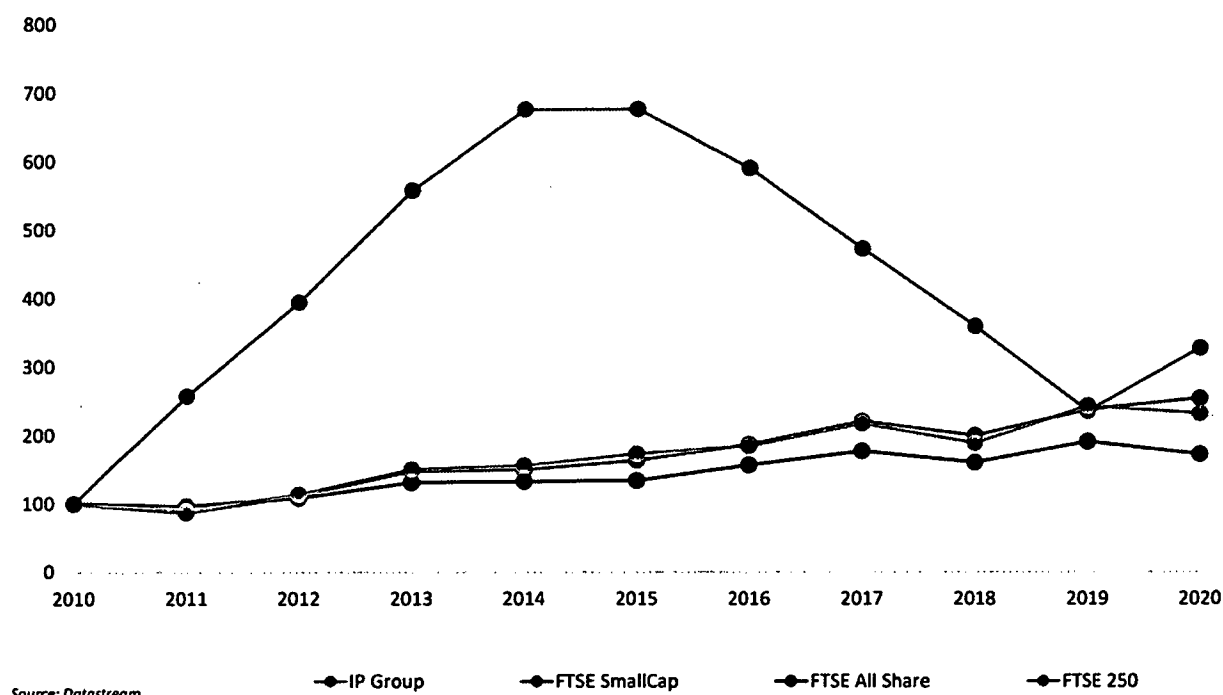
Directors' Remuneration Report continued

Annual Remuneration Statement

Historical executive pay and Group performance

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

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



Historical Chief Executive Officer remuneration outcomes

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

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

LTIP vesting is based on the current expectations of the performance against the 2018 LTIP targets as discussed on page 116.

Directors' shareholdings and share interests (audited information)

The Group's Remuneration Policy contains minimum shareholding requirements for each of its Executive Directors.

The Committee has set the current requirements at 2.0x salary for the Chief Executive Officer, and 1.5x salary for all other Executive Directors. These levels will be reviewed as part of forthcoming triennial policy review in the context of external market benchmarks and the context of the total variable pay opportunity.

This level of shareholding is required to be met within four years of each director's date of appointment. If the guideline is not met by any Executive Director within this timeframe, or the level of shareholding falls below this level for any other reason, including share price fluctuations, then the Committee will discuss with the relevant Executive Director a plan to ensure that the guideline can be met within a reasonable timeframe. The Committee will ordinarily require Executive Directors to retain all shares received under the DBSP or LTIP, other than as required to meet tax and NIC liabilities, until the guideline is met.

At the end of the year, Alan Aubrey and Mike Townend continued to meet this requirement. Both Greg Smith and David Baynes have previously met this requirement;

however, despite a recent recovery the reduction in the Group's share price during the preceding years has resulted in this requirement remaining below targeted levels at 9 March 2021. Both directors have agreed with the Committee that they will, at a minimum, continue to retain all post-tax shares received under the DBSP or LTIP to ensure that minimum levels are met and maintained.

Post-cessation shareholding policy

Departing Executive Directors will normally be required to retain shares following the date of cessation of their employment under the Group's post-cessation shareholding guidelines. This policy came into effect on 1 January 2019 and applies to any shares vesting from Company incentive plans following this date. The policy operates as follows:

- The post-cessation shareholding shall be 100% of the guideline that applied at the date of cessation, or, if lower, the actual holding excluding personal investment.
- The holding determined at the date of leaving shall apply for a period of 24 months, on a tapered straight-line basis, reducing to nil over this period.

- Shares that are no longer subject to performance conditions, such as deferred shares or holding period shares, shall count towards the guidelines (on a net of assumed tax basis).
- The Committee shall have the discretion to operate the policy flexibly and may waive part or all of the requirement, for example in compassionate circumstances.

During the course of 2019, the Committee put in place a framework to assist it in applying the policy. The Committee also explored structures to best enforce the requirements of the policy through 2020 and during 2021 will work with the Group's Employee Benefit Trust to finalise a nominee arrangement whereby any shares vesting under the Company's incentive schemes will be held on behalf of the relevant Executive Director until the required shareholding amount is met and/or the post-cessation holding period has expired in respect of such shares.

Interests in shares

The directors who held office during 2020 had the following beneficial interests in the ordinary shares of the Company:

As at 31 December 2020			Total interest in shares	Aggregate unvested holdings (gross)		
Current directors	Shares owned	Vested but unexercised options ¹ Number (net of tax)	Total Interest	Minimum Shareholding requirement met? ²	LTIP	DBSP
Alan Aubrey	2,797,171	-	2,797,171	y	4,111,288	87,142
Mike Townend	1,237,704	-	1,237,704	y	1,822,935	48,719
Greg Smith	339,403	-	339,403	n	1,856,078	48,719
David Baynes	305,799	-	305,799	n	1,822,935	48,719
Elaine Sullivan	-	-	-	-	-	-
David Begg	50,391	-	50,391	-	-	-
Sir Douglas Flint	18,500	-	18,500	-	-	-
Heejae Chae	16,073	-	16,073	-	-	-
Caroline Brown	-	-	-	-	-	-
Aedhmar Hynes	-	-	-	-	-	-
Jonathan Brooks ³	81,826	-	81,826	-	-	-

There have been no changes in the interests of the directors set out above between 31 December 2020 and 9 March 2021.

1. Previously reflected unexercised holdings in DBSP, all of which were exercised during 2020

2. Based on owned/vested shares only

3. Stepped down March 2020, shareholding at date of leaving

Directors' Remuneration Report continued Annual Remuneration Statement

Long Term Incentive Plan

Directors' participations in the Group's LTIP are:

	Number of shares conditionally held at 1 January 2020	Conditional shares notionally awarded in the year	Vested during the year	Lapsed during the year	Potential conditional interest in shares at 31 December 2020	Share price at date of conditional award (p)	Earliest vesting date(s)
Alan Aubrey							
2017 LTIP	857,142	-	-	(857,142)	-	112.50*	31-Mar-20
2018 LTIP	894,397	-	-	-	894,397	139.20	31-Mar-21
2019 LTIP	1,282,038	-	-	-	1,282,038	99.10	31-Mar-22
2020 LTIP	-	1,934,853	-	-	1,934,853	61.40	31-Mar-23
	3,033,577	1,934,853	-	(857,142)	4,111,288		
Mike Townend							
2017 LTIP	378,571	-	-	(378,571)	-	112.50*	31-Mar-20
2018 LTIP	395,115	-	-	-	395,115	139.20	31-Mar-21
2019 LTIP	566,094	-	-	-	566,094	99.10	31-Mar-22
2020 LTIP	-	861,726	-	-	861,726	61.40	31-Mar-23
	1,339,780	861,726	-	(378,571)	1,822,935		
Greg Smith							
2017 LTIP	378,571	-	-	(378,571)	-	112.50*	31-Mar-20
2018 LTIP	395,115	-	-	-	395,115	139.20	31-Mar-21
2019 LTIP	566,094	-	-	-	566,094	99.10	31-Mar-22
2020 LTIP	-	894,869	-	-	894,869	61.40	31-Mar-23
	1,339,780	894,869	-	(378,571)	1,856,078		
David Baynes							
2017 LTIP	378,571	-	-	(378,571)	-	112.50*	31-Mar-20
2018 LTIP	395,115	-	-	-	395,115	139.20	31-Mar-21
2019 LTIP	566,094	-	-	-	566,094	99.10	31-Mar-22
2020 LTIP	-	861,726	-	-	861,726	61.40	31-Mar-23
	1,339,780	861,726	-	(378,571)	1,822,935		

* note that the number of conditional LTIP awards made in 2017 was calculated using the Group's 140p placing price from 2017

Deferred bonus share plan ("DBSP")

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

	Options held at 1st January 2020	Option awarded in the year	Exercised during the Year	Lapsed during the year	Options held at 31 December 2020	Share price at date of award (p)	Earliest vesting dates
Alan Aubrey							
Deferral from 2015 AIS	42,710	-	42,710	-	-	175.60	31-Mar-18
Deferral from 2017 AIS	39,820	-	39,820	-	-	128.20	31-Mar-19
Deferral from 2017 AIS	39,821	-	39,821	-	-	128.20	31-Mar-20
Deferral from 2018 AIS	11,282	-	11,282	-	-	99.10	31-Mar-20
Deferral from 2018 AIS	11,282	-	-	-	11,282	99.10	31-Mar-21
Deferral from 2019 AIS	-	37,930	-	-	37,930	61.40	31-Mar-21
Deferral from 2019 AIS	-	37,930	-	-	37,930	61.40	31-Mar-22
	144,915	75,860	133,633	-	87,142		
Mike Townend							
Deferral from 2015 AIS	25,981	-	25,981	-	-	175.60	31-Mar-18
Deferral from 2017 AIS	24,736	-	24,736	-	-	128.20	31-Mar-19
Deferral from 2017 AIS	24,736	-	24,736	-	-	128.20	31-Mar-20
Deferral from 2018 AIS	5,349	-	5,349	-	-	99.10	31-Mar-20
Deferral from 2018 AIS	5,349	-	-	-	5,349	99.10	31-Mar-21
Deferral from 2019 AIS	-	21,685	-	-	21,685	61.40	31-Mar-21
Deferral from 2019 AIS	-	21,685	-	-	21,685	61.40	31-Mar-22
	86,151	43,370	80,802	-	48,719		
Greg Smith							
Deferral from 2015 AIS	22,637	-	22,637	-	-	175.60	31-Mar-18
Deferral from 2017 AIS	24,736	-	24,736	-	-	128.20	31-Mar-19
Deferral from 2017 AIS	24,736	-	24,736	-	-	128.20	31-Mar-20
Deferral from 2018 AIS	5,349	-	5,349	-	-	99.10	31-Mar-20
Deferral from 2018 AIS	5,349	-	-	-	5,349	99.10	31-Mar-21
Deferral from 2019 AIS	-	21,685	-	-	21,685	61.40	31-Mar-21
Deferral from 2019 AIS	-	21,685	-	-	21,685	61.40	31-Mar-22
	82,807	43,370	77,458	-	48,719		
David Baynes							
Deferral from 2015 AIS	25,981	-	25,981	-	-	175.60	31-Mar-18
Deferral from 2017 AIS	24,736	-	24,736	-	-	128.20	31-Mar-19
Deferral from 2017 AIS	24,736	-	24,736	-	-	128.20	31-Mar-20
Deferral from 2018 AIS	5,349	-	5,349	-	-	99.10	31-Mar-20
Deferral from 2018 AIS	5,349	-	-	-	5,349	99.10	31-Mar-21
Deferral from 2019 AIS	-	21,685	-	-	21,685	61.40	31-Mar-21
Deferral from 2019 AIS	-	21,685	-	-	21,685	61.40	31-Mar-22
	86,151	43,370	80,802	-	48,719		

The aggregate loss was £0.3m (2019: nil) versus the grant value of DBSP awards (as previously reported within single figure remuneration totals).

Directors' Remuneration Report continued

Annual Remuneration Statement

Save as You Earn ("SAYE")

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

	Options held at 1 January 2020	Options awarded in the year	Exercised during the year	Lapsed during the year	Options held at 31 December 2020	Option exercise price (p)	Share price at date of award (p)	Earliest vesting date(s)
Greg Smith								
2019 SAYE	34,816	-	-	-	34,816	51.70	64.60	31-Aug -22
David Baynes								
2019 SAYE	34,816	-	-	-	34,816	51.70	64.60	31-Aug-22
Mike Townend								
2019 SAYE	34,816	-	-	-	34,816	51.70	64.60	31-Aug-22

Other long-term interests – legacy arrangements (audited information)

In addition to the Executive Directors' remuneration arrangements, the Group also operated co-investment and carried interest arrangements related to certain venture capital funds that are under its management. Under these co-investment arrangements, Executive Directors made minority capital and loan commitments to IP Venture Fund ("IPVF") alongside the Group. Executives were entitled to participate in a carried interest scheme in respect of IPVF and The North East Technology Fund LP alongside the Group.

Both of these arrangements closed during the year without any Carried Interest becoming payable, as set out below. As outlined in the policy, no new allocations of this kind will be made to Executive Directors in future.

IPVF co-investment arrangements

The executive directors' commitments to, and returns from, IPVF are set out below. The fund has now closed, and no further distributions will be made:

	Total commitment £000	Limited partnership interest of IPVF	Total capital contributed to 1 January 2020 £000	Capital contributions during the year £000	Total capital contributions at 31 December 2020 £000	Capital amounts repaid during the year £000	Total capital amounts repaid to 31 December 2020 £000
Executive directors							
Alan Aubrey	56	0.18%	55	1	56	15 ¹	65
Mike Townend	56	0.18%	55	1	56	15 ²	65
Greg Smith	35	0.11%	35	-	35	11 ³	41
Total	147	0.47%	145	2	147	41	171

1. capital of £83.24 was repaid to Alan Aubrey during 2020

2. capital of £83.24 was repaid to Mike Townend during 2020

3. capital of £52.43 was repaid to Greg Smith during 2020

Carried interest arrangements

The executive directors' interests in carried interest schemes in both IPVF and NETF lapsed during 2020, as set out in the table below:

	Fund ⁽ⁱ⁾	Carried interest(ii) at 1 January 2020	Awarded during the year	Transferred during the year	Lapsed during the year	Scheme Interest at 31 December 2020 ⁽ⁱⁱⁱ⁾	Accrued value of scheme interest at 31 December 2020 £000
Executive directors							
Alan Aubrey	IPVF	1.81%	-	-	1.81%	-	-
	NETF	1.55%	-	-	1.55%	-	-
Mike Townend	IPVF	1.81%	-	-	1.81%	-	-
	NETF	1.15%	-	-	1.55%	-	-
Greg Smith	IPVF	1.14%	-	-	1.14%	-	-
	NETF	0.85%	-	-	0.85%	-	-

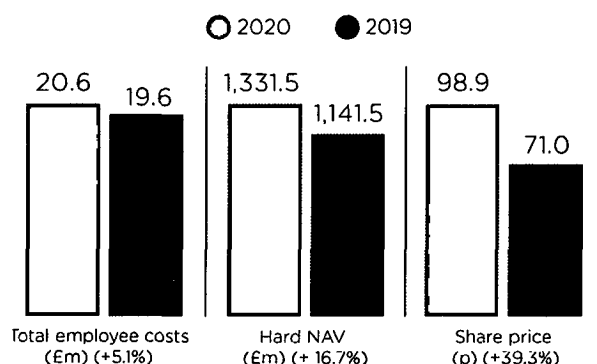
i. Under the IPVF fund LPA, payments to participants are made when all limited partners have been repaid their contributions together with a hurdle rate rate of 8% compound interest. Under the North East Technology Fund ("NETF") scheme, payments to participants are made when all limited partners have been repaid their contributions together with a hurdle rate of 3.5% compound interest.

ii. Scheme interest represents the percentage of the relevant pool of investments in respect of which the participant is entitled to participate in the realised profits assuming the relevant hurdle return has been met.

iii. The schemes contain forfeiture provisions over the investment period of the fund which may reduce the scheme interest accruing to any participant. The table reflects the maximum scheme interest receivable should no forfeiture occur.

Relative spend on pay

The chart below shows the total employee costs, change in Hard NAV and change in share price from 2019 to 2020.



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

Total employee pay: total employee costs from note 9 on page 165 including wages and salaries, social security costs, pension and share-based payments.

Change in Hard NAV: change in the Group's net assets excluding goodwill and intangibles taken from the statement of financial position on page 149.

Returns to shareholders: since the Group has not yet paid a dividend, returns to shareholders are represented by the change in the Group's share price over the period from 31 December 2019 to 31 December 2020.

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.

Any external appointments (i.e. excluding those companies in which the Group is a shareholder) held by executive directors are set out on page 82.

Directors' Remuneration Report continued

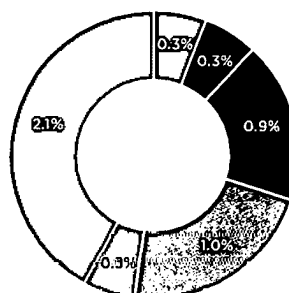
Annual Remuneration Statement

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

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

The Committee regularly monitors the position and prior to the making of any share-based award considers the effect of potential vesting of outstanding awards to ensure that the Company remains within these limits. Any awards which are required to be satisfied by market purchased shares are excluded from such calculations. No treasury shares were held or utilised in the year ended 31 December 2020.

As at 9 March 2021, the Company's headroom position, which remains within such guidelines, was as shown in the chart.

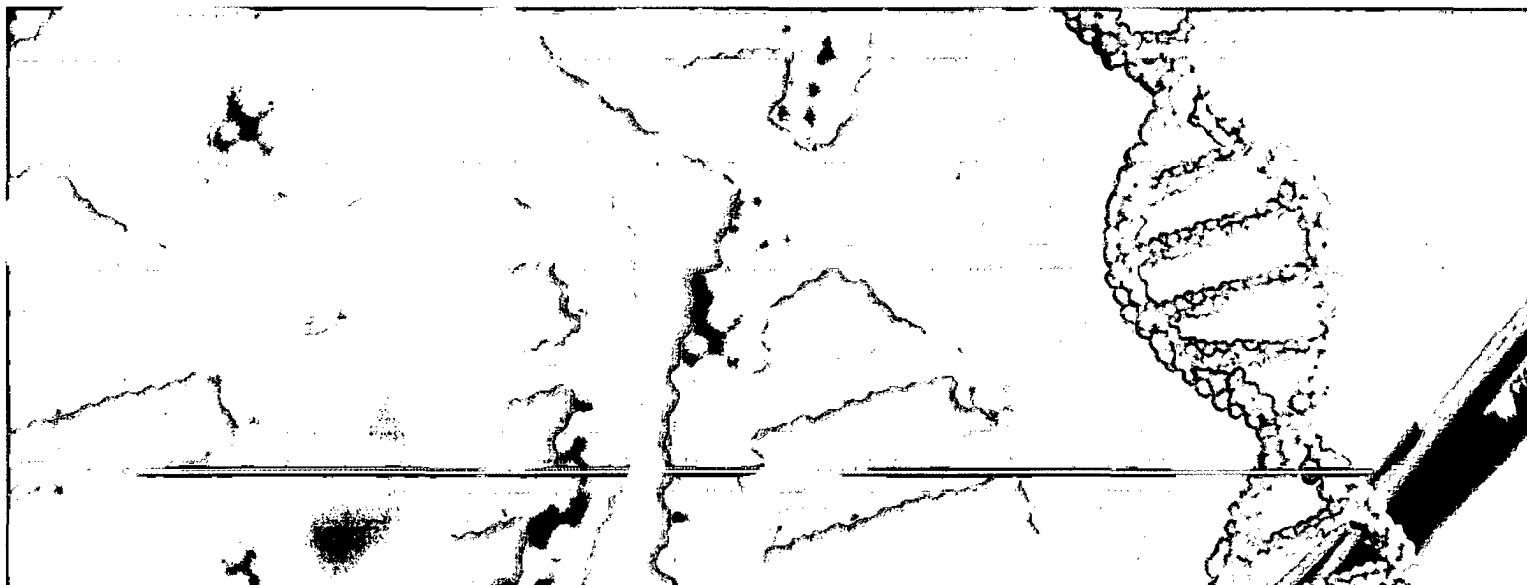


- Vested LTIP awards in past 10 years - Executives
- Vested LTIP awards in past 10 years - Other staff
- Outstanding LTIP and awards - Executives
- ⊗ Outstanding LTIP and Former Touchstone LTIP awards - Other staff
- Other Share schemes (Sharesave, DBSP, etc.)
- Additional headroom (to 5%)

Service agreements

The Executive Directors have service contracts that commenced on the dates set out in the chart on page 125 and contain a contractual notice period of six months by either party. The non-executive directors have letters of appointment that commenced on the dates set out in the chart below, are generally for an initial fixed term of three years, which is reviewed and may be extended for a further three years, and are terminable on three months' notice by either party.

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



Effective dates of service contracts of the Executive Directors

Alan Aubrey	→	20 January 2005
Mike Townend	→	5 March 2007
Greg Smith	→	2 June 2011
David Baynes	→	20 March 2014

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

Elaine Sullivan	→	30 July 2015
David Begg	→	18 October 2017
Heejae Chae	→	03 May 2018
Sir Douglas Flint ¹	→	17 September 2018
Dr Caroline Brown	→	1 July 2019
Aedhmar Hynes	→	1 August 2019

1. Effective as Chair from November 2018

Terms of Reference and Key Responsibilities

In line with the 2018 corporate governance code, the terms of reference for the Remuneration Committee were reviewed, and adopted by the Board in December 2020. The Committee will continue to review its terms of reference at least annually, and will propose updated where necessary. The key responsibilities of the Committee are unchanged, as follows:

- Determine the policy for Executive Director remuneration
- Design and set the remuneration for the Chair, Executive Directors and senior management
- Review workforce remuneration and related policies to ensure the Group retains the best talent
- Review remuneration practice and overall costs to the Group
- Consider pension and superannuation arrangements, and other employee benefits offered
- Consider the engagement and independence of external remuneration advisors

The full terms of reference of the Committee, which are reviewed annually, are available on the Group's website at www.ipgroupplc.com. In summary, the Remuneration Committee has specific responsibility for advising the Group's Board on the remuneration and other benefits of executive directors, an overall policy in respect of remuneration of other employees of the Group and establishing the Group's policy with respect to employee incentivisation schemes.



Directors' Remuneration Report continued

Annual Remuneration Statement

Consideration by the directors of matters relating to directors' remuneration

The Remuneration Committee currently comprises the following independent Non-executive Directors whose backgrounds and experience are summarised on pages 82 to 84.

Heejae Chae (Chair)

Jonathan Brooks (stepped down on 10 March 2020)

Douglas Flint

Elaine Sullivan

David Begg

Caroline Brown

Aedhmar Hynes

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

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

- Consideration of the Group's overall remuneration philosophy to ensure it continues to promote the Group's strategy, including the blend of fixed and short and longer-term variable pay.
- Consideration of the skills and experience of the executive directors and carrying out of benchmarking in order to determine base salaries and total remuneration opportunity for the period 1 April 2020 to 31 March 2021, and giving further consideration to base salaries and total remuneration opportunity with effect from 1 April 2021.
- Review of the Group's approach to non-director remuneration, including base salaries and incentive scheme targets and pay-outs, with focus on those employees earning more than £150,000 or local currency equivalent.
- Consideration of LTIP awards and vesting targets for 2020 and 2021 awards and out-turns for the 2019 and 2020 awards.
- Consideration of AIS awards and targets for 2020 and 2021 as well as outturns for 2020.
- Review and consideration of the further evolution of the application of the Group's Remuneration Policy for non-director employees with particular consideration given to matters related to the UK, US and Australian basic salary levels, AIS structure and appropriate medium- and long-term incentivisation, as well as consideration of same for the Group's regulated fund management subsidiaries.
- Approval of the Group's DRR.

Adherence to Corporate Governance Code principles

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

Clarity	• The Company seeks to provide full transparency to shareholders on the operation of the Remuneration policy, including prospective disclosure of our Hard NAV target range under the AIS. The Committee encourages open and frequent dialogue on executive director remuneration with shareholders, including on a formal basis when reviewing the remuneration policy.
Simplicity	• Our ongoing remuneration arrangements for executive directors, including the AIS and LTIP, are simple in nature and well understood by both participants and shareholders. • Our incentive arrangements are cascaded down through the Group to provide alignment and overall simplicity in our approach to remuneration. All employees participate in the AIS (with components based on team and/or individual objectives for non-director employees), with the LTIP extended to senior managerial levels and roles which are expected to have a material financial impact on the Group's outcomes. • The Committee intends to review the Group's remuneration arrangements again in 2021 to ensure that this principle continues to be appropriately met.

Risk	- Under the AIS and LTIP, discretion may be applied where formulaic outturns are not considered reflective of overall business or individual performance or any other reason considered appropriate. - Deferral of a proportion of AIS awards, the LTIP holding period and our shareholding requirement, including post-cessation shareholding requirement, provide a clear link to the ongoing performance of the business and the experience of our shareholders. - Malus and clawback provisions apply to both AIS and LTIP awards.
Predictability	Our Remuneration Policy contains details of the maximum opportunities and pre-determined target ranges under our AIS and LTIP, with actual outcomes dependent on performance achieved against these targets.
Proportionality	- We operate a performance-based philosophy with a 'lower base/higher variable' approach and a focus on the long term. - Our performance measures and target ranges under the AIS and LTIP, including the use of Hard NAV, are selected based on their alignment to Company strategy. - The Committee's ability to apply discretion ensures appropriate out-turns in the context of long-term Company performance. - The focus on the long term within our remuneration approach, including the delivery of a significant proportion of our incentives in the form of Company shares and the use of an LTICS 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 most senior employees, the LTIP. - For 2020, we have introduced employee engagement and culture as a performance measure under the AIS, which explicitly takes into account the engagement of our most valuable asset, our people.

External advisers

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

During the year, the Remuneration Committee continued its review of executive remuneration and took into consideration independent professional advice from Deloitte LLP in respect of the development of the Group's Remuneration Policy and its application, and reporting under the Directors' Remuneration Reporting Regulations. Deloitte is a founding member of the Remuneration Consultants Group and adheres to its Code in relation to executive remuneration consulting in the UK. The lead engagement partner has no other connection with the company or individual directors. Fees paid to Deloitte LLP in connection with advice to the Committee in 2020 were £46,400. Deloitte LLP also provided advice to the Group in 2020 in connection with projects relating to our Australian and Hong-Kong subsidiary companies.

Statement of shareholder voting

The table below sets out the proxy results of the votes on the Group's Remuneration Report at the Group's 2020 AGM.

	Votes for		Votes against		Total votes cast	Votes withheld
	Number	% of votes cast	Number	% of votes cast		
Approval of LTIP Rules 2020	845,475,651	98.7	10,918,448	1.3	856,394,099	35,481
Remuneration Report	844,001,565	98.9	9,013,064	1.1	853,014,629	3,414,951

Remuneration disclosure

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

Report of the Audit and Risk Committee



Dr Caroline Brown
Chair of the
Audit and Risk
Committee



The Committee has continued its journey to formalise and enhance its oversight of matters it is responsible for and prepare for increasing regulatory requirements."

Audit and Risk Committee ("ARC" or the "Committee") responsibilities

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

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

Terms of Reference

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

Committee membership and meetings

At 31 December 2020, the Committee comprised five 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 and having held senior financial positions in my career. The Board is satisfied that for the year

under review, and thereafter, the Audit and Risk Committee as a whole has competence relevant to the sector in which the Group operates. Further details of specific relevant experience can be found in the Director's biographies on pages 82 to 84.

The Committee met five times during 2020, see Board and Committee attendance table, page 91. The Group's Chairman, Chief Financial Officer, Group Financial Controller, Company Secretary, outsourced Head of Internal Audit and the external auditor were also invited to attend all meetings and did so. The meetings cover regular agenda items on audit, risk and internal controls, compliance and policies; additional matters are considered as required and other members of management were invited to attend for specific subjects. In addition, I also met privately with individual members of management, the external auditor and the outsourced Head of Internal Audit prior to each Committee meeting and attend meetings of the Valuation Committee as an observer. At the end of the annual audit process in March the Committee met with the external auditor without any members of the executive management team being present.

Activities of the Committee

During 2020, and early 2021, the Committee has continued its journey to formalise and enhance its oversight of matters it is responsible for and prepare for increasing regulatory requirements. The key areas of focus included the review of valuation updates during the year, oversight of the development and implementation of a capital allocation policy (page 75), development of ESG reporting (page 57) and an ethical investment framework and consideration of the impact of COVID-19 on financial reporting. The Committee reviewed the impact of COVID-19 on the Group's operational, strategic and principal risks (see risk management report on page 46) including control monitoring in light of the pandemic and shifts

in ways of working. During the year the Committee received four internal audit reviews performed by the Group's outsourced internal audit function and continues to monitor implementation of agreed improvements. The Committee reviewed new and updated policies and oversaw preparations for TCFD reporting in 2021 and for the UK internal controls regime expected to be implemented by 31 December 2023.

Key Accounting Judgements

The valuation of unquoted investments remains the most material area of judgment in the financial statements and is the key audit risk for the Group. During the year the Committee has monitored updated management portfolio valuations in light of COVID-19, new IPEV special valuation guidance and the Group's accounting policy on valuation (see the full policy on pages 141-142). In depth discussions took place with management and the external auditor at half year and full year reporting dates and the Committee members challenged the approach taken to portfolio valuations (see pages 22 to 25, 155 to 157, 161 and 168 to 169).

As in previous years, the Committee has paid significant attention to the valuation of the Group's holding in Oxford Nanopore Technologies Limited, the valuation of assets which have not completed a funding round within the last nine months, assets which have seen significant positive or negative developments in the year and assets with active financings or sale processes on or after the measurement date. The Group has continued to utilise external valuations specialists where considered appropriate as part of its valuation procedures, with external valuation reports being commissioned on seven of our larger portfolio holdings during the year (2019: 10).

The Valuation Committee assists in the formalisation and documentation of management's valuation judgements in line with the Group's accounting policies and industry valuation guidance from IPEV. During the year, the Valuation Committee was chaired by the Group CFO and its members were the Group CEO, COO and CFO. Also in attendance were the Managing Partners of the Technology and Life Sciences partnerships, the Group Financial Controller, external auditors and myself. The Valuation Committee met four times in 2020 and twice in early 2021 to facilitate the conclusion of the 2020 year end valuations.

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 2020 resulting in the recommendation of both for approval by the Board. In carrying out its review, the Committee gave particular consideration to whether the Annual Report, taken as a whole, was fair, balanced and understandable, concluding that it was. It did this primarily through consideration of the reporting of the Group's performance, business model and strategy, the competitive

landscape in which it operates, the significant risks it faces, the progress made against its strategic objectives and the progress made by, and changes in fair value of, its portfolio companies during the year.

During the year the Committee considered the application of IFRS10, the analysis of operating segments and the use of Alternative Performance Measures ("APMs") and disclosure updates on COVID-19 and Brexit, subsidiary investment impairments, IAS7 cashflow disclosures and climate change disclosures.

Going concern and long-term viability review

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

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

Management's assessment included scenarios where adverse impacts across the Group's principal risks relating to insufficient capital, and macro-economic conditions were considered. Under the severe scenario, a 75% reduction in realisations and a 50% decline in portfolio fair values were considered together with a series of mitigating actions, which resulted in the Group remaining viable over the three-year horizon. The Committee agreed to recommend the Viability statement to the Board for approval.

Risk and internal controls

The key elements of the Group's internal control framework and procedures are set out on page 46. The principal risks the Group faces are set out on pages 50 to 57. During the year, the Committee devoted part of each meeting to items concerning risk and its management.

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

Report of the Audit and Risk Committee continued

The Risk Council met six times during the year and reported to the Committee at each meeting.

During 2020 and early 2021, the Committee reviewed management's updated risk appetite statements prepared using input from an executive management workshop ahead of a Board discussion to approve the Group's final risk appetite statements. The Committee reviewed output from the Risk Council summarising the Group's strategic risk profile, and accepted management's proposal that Failure of University Relationships should no longer be considered a principal risk to the Group. The Committee also considered the Group's emerging risks, which are summarised on page 38 and paid special attention to the Group's response to the COVID-19. The Committee also reviewed the output of testing of all key controls in place to mitigate the Group's principal risks. This review included all material financial, operational and compliance controls. PwC, on behalf of management, assessed the control design and operating effectiveness of these key controls over principal risks using the COSO framework principles. No significant failings or weaknesses were identified however control deficiencies were identified and recommendations for improvement agreed with management. Implementation of the remedial actions was reviewed by the Risk Council and reported to the Committee.

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

Cyber security

The Group has continued its focus on cyber and IT security, with regular updates to the Committee on the steps being taken by the Group to mitigate cyber risks including investment in additional security measures. During the year, PwC delivered a cyber workshop to assist the Group in its IT & cyber security response to COVID-19 and a general industry trend of increasing threats as a result of the mass move to remote working in 2020 and an increase in the Group's principal risk in this area see page 56 for further details on management's response and developments in the year in relation to this risk. The team completed a cyber maturity assessment internal audit review which followed on from the 2019 review and the Committee reviewed the findings of this work and receive regular updates on the actions arising from both internal audit reviews. As in prior years, employee awareness training on cyber security and regular phishing testing was conducted Group-wide in the year.

Compliance

Ensuring compliance for FCA regulated businesses represents an important control risk from the perspective of the Committee and regular updates are provided to the Committee by the Group's subsidiary compliance officers and international equivalents. Ongoing internal reviews are conducted through the use of a compliance monitoring programme and specialist advisory firms and local advisors are employed to advise on areas of regulation relevant to the Group's operations where required.

During the year the Committee reviewed its assurance requirements in its central and wider group operations covering legal, financial, tax, risk, IT & cyber and employment policies, identified areas where additional assurance on Group compliance with these policies and procedures was required and agreed actions with management to obtain the desired level of assurance. The Committee also reviewed existing Group policies on anti-bribery and corruption, speaking-up, related party transactions and modern slavery statement.

Internal audit

2020 was the second 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 four internal control reviews which were focussed on compliance with GDPR, the Group's capital allocation policy and processes, payments processes and cyber & IT security. The Committee reviewed the output of these control reviews and monitored progress against each action identified in the year. The Committee values the work of the internal auditor in providing independent and objective assurance in meeting its corporate governance and regulatory responsibilities.

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

External audit

The effectiveness of the external audit process is dependent on appropriate risk identification. In December, the Committee discussed the auditor's plan for the 2020 year-end audit. This included a summary of the proposed audit scope and a summary of what the auditor considered to be the most significant financial reporting risks facing the Group together with the auditor's proposed audit approach to these significant risk areas. The main areas of audit focus for the year were the valuation of unquoted investments, notably Oxford Nanopore Technologies Limited, given the proportion that this company represents of the Group's

overall Hard NAV. The auditor's plan included the approach to the categorisation and testing of unquoted investments and a detailed audit timetable including completion of a portion of the Group's subsidiary statutory account audits, developed in conjunction with management. The Committee approved a proposal from management to engage an alternative auditor Moore Northern Home Counties Limited on the Group's simpler trading subsidiaries which are small in nature and do not hold portfolio company investments. It is expected that this will allow an accelerated audit completion timetable and reduced costs.

Appointment and independence

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

Mandatory audit firm rotation is required after 20 years and a re-tender must be conducted at least every ten years. The Code requires disclosure of the length of tenure of the current audit firm and when a tender was last conducted, as well as advance notice of any re-tendering plans. KPMG LLP have acted as the auditor to the Group since 2014 and the lead audit partner rotates every five years to assure independence. Mr Jonathan Martin became lead audit partner responsible for the Group's statutory audit for the 2019 year-end onwards. The Committee has benefited from Mr Martin's extensive valuation expertise and continues to believe he is a suitable audit partner for the Group. The Committee last undertook a comprehensive tender process in 2014 for the audit in relation to the year ended 31 December 2014 and has no plans to re-tender the audit at the present time.

Non-audit work

For the 2021 financial year, the Group's non-audit services policy has been updated and approved by the Committee. The updated policy incorporates the requirements of the FRC's revised Ethical Standard that was published in December 2019. The policy details the nature of the services that the external auditor may not undertake and specifies that non-audit services, unless pre-approved, are subject to prior approval from the CFO, ARC Chair or the Committee. The policy states that the overall fee for non-audit services should not exceed 70% of the average audit fee over the prior three-year period. An analysis of audit and non-audit fees paid to KPMG is provided in note 6 to the financial statements on page 151. In addition to the review of the Group's half-yearly results, in 2020 the Group's auditor, KPMG LLP once again carried out compliance reporting for

the Group's debt facilities with the EIB. Given the natural overlap between this work and the financial audit of the Group's results, the Committee judged KPMG the most effective party to perform this work. In other matters, the Committee prefers to engage other firms to perform consulting engagements to ensure that the independence of the auditor is not compromised and during 2020 engaged the services of BDO (tax), PwC (internal audit, risk and governance), Deloitte (valuations), Duff & Phelps (valuations) and CFGI (US valuations).

Auditor independence

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

Auditor effectiveness

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

Dr Caroline Brown

Chair of the Audit and Risk Committee

9 March 2021

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 2020.

Corporate governance statement

Information that fulfils the requirements of the corporate governance statement can be found in the Corporate Governance Statement on pages 86 to 99 and is incorporated into this Directors' report by reference.

Results and dividends

During the period, the Group made an overall profit after taxation for the year ended 31 December 2020 of £185.4m (2019: £78.9m loss). The Board recommends a final dividend for the year ended 31 December 2020 of 1p per share (2019: £nil). As set out in the Notice of the Annual General Meeting to be sent to shareholders with this Annual Report, the Company will seek authority from its shareholders at that meeting to offer a scrip dividend alternative to a cash dividend. More details of that scrip dividend alternative are set out in the explanatory notes which accompany that Notice.

Directors

The names of directors who currently hold office or did so during 2020 are as follows:

Executive Directors

Alan Aubrey
David Baynes
Greg Smith
Mike Townend

Non-executive Directors

Sir Douglas Flint (Chairman)
Professor David Begg
Jonathan Brooks (retired on 10 March 2020)
Dr Caroline Brown
Aedhmar Hynes
Heejae Chae
Dr Elaine Sullivan

Details of the interests of directors in the share capital of the Company are set out in the Directors' Remuneration Report on page 107.

Principal risks and uncertainties and financial instruments

The Group through its operations is exposed to a number of risks. The Group's risk management objectives and policies are described on pages 46 to 49 and in the Corporate Governance report on page 94. 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 159 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 48 to 49 of the Strategic Report.

Branches of the Group outside of the UK

The Group has branches in the US, Australia and Hong Kong.

Significant agreements

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

Share capital and related matters

Details of the structure of the Company's share capital and the rights attaching to the Company's shares are set out in note 20 to the consolidated financial statements. There are no specific restrictions on the size of a holding or on the transfer of shares, which are both governed by the general provisions of the Company's Articles of Association (the "Articles") and prevailing legislation.

At the last Annual General Meeting of the Company held on 18 June 2020 (the "2020 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 15 April 2020 at any time up to the earlier of the conclusion of the next Annual General Meeting ("AGM") of the Company and 18 September 2021. In addition, at the 2020 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 15 April 2020 in connection with an offer by way of a fully pre-emptive rights issue. The Directors propose to renew both of these authorities at the Company's next AGM to be held on 9 June 2021 ("2021 AGM"). The authorities being sought are in accordance with guidance issued by the Investment Association.

A further special resolution passed at the 2020 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 15 April 2020; and (ii) up to a further maximum of approximately 5% of the aggregate nominal value of the shares in issue on 15 April 2020 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 18 September 2021. The Directors will seek to renew these authorities for a similar period at the 2021 AGM.

Under Part 18, Chapter 5 of the CA 2006, the Company has the power to purchase its own shares. At the 2020 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 15 April 2020 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 18 September 2021. This authority has not been used during the year. The Directors will seek to renew the authority within similar parameters and for a similar period at the 2021 AGM.

Articles of Association

The Company's Articles may be amended by a special resolution of the shareholders.

Substantial shareholders

As at 31 December 2020, 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	%
Railways Pension Scheme	15.2
Invesco	8.1
Imperial College of Science Technology & Medicine	5.1
Baillie Gifford	4.8
Lansdowne Partners	4.5
Lombard Odier Investment Managers	4.5
BlackRock	4.1
Liontrust Sustainable Investments	4.0
Odey Asset Management	3.4

As at 9 March 2021, 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	%
Railways Pension Scheme	15.2
Ballie Gifford	4.9
Lansdowne Partners	4.6
Liontrust Sustainable Investments	4.2
BlackRock	4.1
Imperial College of Science Technology & Medicine	4.1
Odey Asset Management	3.1
Schroder Investment Management	3.0

Corporate and social responsibility

Details on the Group's policies, activities and aims with regard to its corporate and social responsibilities, including details of its greenhouse gas emissions, are included in the Sustainability section on pages 58 to 70, in the Corporate Governance Statement on pages 85 to 99 and in the s172(1) Statement on pages 74 to 79.

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 38) and in note 30 to the Group's financial statements.

Directors' Report continued

Political expenditure

Although it is the Board's policy not to incur political expenditure or otherwise make cash contributions to political parties, and it has no intention of changing that policy, the CA 2006 is very broadly drafted in this area and the Board has raised a concern that it may include activities such as funding conferences or supporting certain bodies involved in policy review and law reform. Accordingly, at the 2020 AGM and as at previous AGMs, the shareholders passed a resolution on a precautionary basis to authorise the Group to incur political expenditure (as defined in Section 365 of the CA 2006) not exceeding £50,000 in total at any time from the date of the 2020 AGM up to the conclusion of the 2021 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 2021 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 2020.

Disclosure of information to auditor

Each of the persons who is a Director at the date of approval of this Annual Report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and

- the Director has taken all steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the CA 2006.

Going concern

The Directors confirm that they have a reasonable expectation that the Group will have adequate resources to continue in operational existence for at least the next 12 months from the date of the accounts and accordingly they continue to adopt the going concern basis in preparing the financial statements. A viability statement, as required by the Code, can be found on page 56.

Appointment of auditor

A resolution to reappoint KPMG LLP, together with a resolution to authorise the Directors to determine their remuneration, will be proposed at the Annual General Meeting to be held on 9 June 2021.

On behalf of the Board



Angela Leach

Company Secretary
9 March 2021



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 IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements in accordance with UK Accounting Standards.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- for the group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the parent company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the parent company financial statements;
- assess the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the CA 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report (which includes a s.172 statement), Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

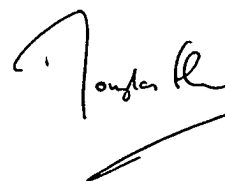
Responsibility statement of the Directors in respect of the annual financial report

In accordance with DTR 4.1.12 we confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidated group taken as a whole; and
- the Directors' Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidated group taken as a whole, together with a description of the principal risks and uncertainties that they face.

We consider the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

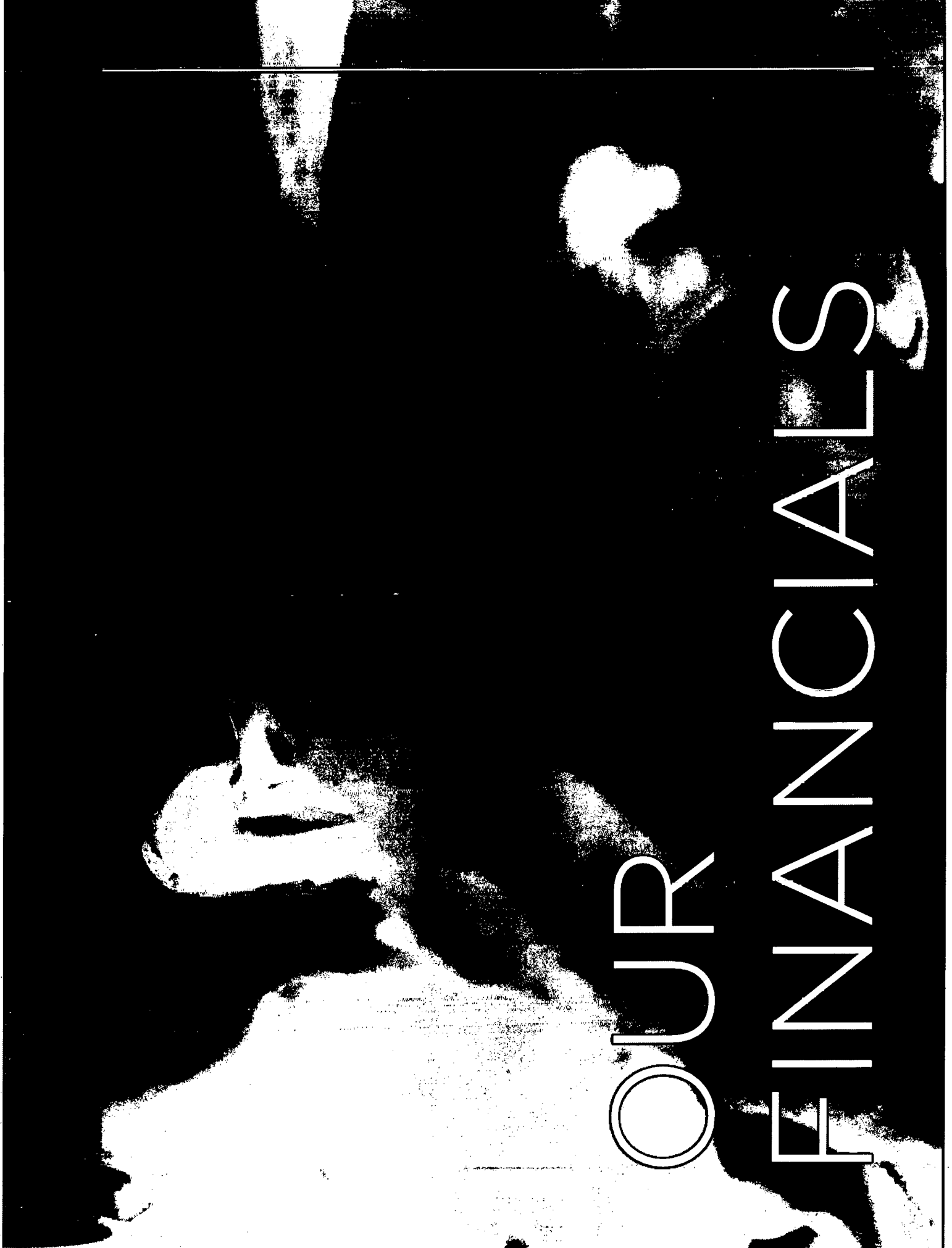
On behalf of the Board



Sir Douglas Flint

Chairman

9 March 2021



OUR FINANCIALS

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Independent Auditor's report

to the Members of IP Group plc

1. Our opinion is unmodified

We have audited the financial statements of IP Group plc ("the Company") for the year ended 31 December 2020 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 2020 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- 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 and, as regards the Group financial statements, Article 4 of the IAS Regulation to the extent applicable.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were first appointed as auditor by the shareholders on 13 May 2014. The period of total uninterrupted engagement is for the seven financial years ended 31 December 2020. 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:	£10.5m (2019:£10.4m)
group financial statements as a whole	0.7% (2019: 0.8%) of group total assets
Coverage	100% (2019:100%) of total assets
Key audit matters	vs 2019
Recurring risks	Valuation of unquoted investments (Group & Parent) ▲
	Recoverability of investments in subsidiary undertaking (Parent Company) ▲

2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters, in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and our findings from those procedures in order that the Company's members, as a body, may better understand the process by which we arrived at our audit opinion. These matters were addressed, and our findings are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

	The risk	Our response
Valuation of unquoted investments (£1,079.3 million; 2019: £928.1m) <i>Refer to page 128 (Audit Committee Report), page 152 (accounting policy) and page 168 (financial disclosures).</i>	Subjective Valuation 73% (2019: 72%) of the Group's total assets (by value) is held in investments where no quoted market price is available. Unquoted investments are measured at fair value which is estimated by the directors based on methods established in accordance with International Private Equity and Venture Capital Valuations Guidelines by using measurements of value such as recent funding rounds and discounted cash flows. Where recent funding rounds are used, due to the relatively low number of investors involved, there is a risk that the prices on which fair value is based are not sufficiently at arm's length to ensure an independent fair value. Whether it remains appropriate to use the price of the recent funding round depends on the specific circumstances of the investment, the involvement of new investors, the stability of the external environment and the period since the previous funding round occurred. There are a number of assumptions made by the directors when using alternative valuation methods such as discounted cash flows, including the probability of achieving milestones and the discount rate used. There is a concentration risk within the unquoted valuation of Oxford Nanopore Technologies (ONT), of which the Group's stake is valued at £340.4 (2019: £263.8m), comprising 32% of total investments (2019: 25%). The effect of these matters is that, as part of our risk assessment, we determined that the valuation of unquoted investments has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount. The financial statements (note 15) disclose the sensitivity estimated by the Group. Due to the specific nature of the valuation process and the lack of homogeneity we concluded that a largely substantive audit process for the valuation of investments was appropriate.	Our procedures included: Our sector experience: For a sample of investments, selected using a combination of specific item and statistical sampling, assessing and challenging the reasonableness of the valuation approach used and considering these against the latest IPEV guidelines; - For ONT, we reviewed the supporting information for the primary and secondary share sales in the period, inspected the supporting information for the pre IPO funding round in Q1 2021, held discussions with the CEO who is also a board member of ONT and further as part of the triangulation of the valuation inspected and re-performed managements revenue multiple assessment; - For investments valued using a recent funding round as an appropriate basis for the measurement of the fair value, we evaluate the independence of the funding round on which this valuation is based (e.g. presence of new external investors) and corroborate the price to signed Share Subscription Agreements; - For those valued based on a funding round aged greater than 9 months, we corroborate judgements through discussions with the investment team and independent support, such as investee board minutes. We also inspect the underlying data supporting the funding round to ensure that there were new third party investors and further inspect board reports and market research on the investments to ensure that the development of the investment is in line with the change in the valuation over the period; - For those valued using alternative valuation methods, such as a discounted cash flows, we assessed the key assumptions used by comparing them to market data and the underlying reported information of the portfolio company along with agreeing key inputs back to independent support, such as signed license agreements. We further assessed the effect of changing one or more inputs to reasonably possible alternative valuation assumptions; - For those investments where management have engaged a third party valuation expert, we have discussed the methodology with both management and where appropriate the valuation expert, re-performed the calculation of fair value and agreed the key assumptions to supporting documentation; - Challenging the internal investment manager on key judgements affecting investee companies valuations, such as events since the last funding round, probability of achieving milestone achievements and discount rate used where applicable. We compared key underlying financial data inputs to external sources such as signed legal documentation, the investee company audited accounts and management information. We challenged the assumptions included in the valuation based on the plans of investee companies. - Assessing valuer's credential: Assessing the expertise and experience of the Group's external valuation experts used in the corroboration of management's valuation and challenging the appropriateness of the methods used; Our valuation and methodology expertise: We utilised a KPMG valuation specialist to assist us in assessing and challenging the appropriateness of the valuation methodology. This included assessing the information used in the valuation model, in the context of our own industry knowledge and external data; Assessing existence: We carried out a site visit to the ONT manufacturing site in Oxfordshire to confirm existence of their operation; Our findings: We found the resulting valuations in relation to the unquoted financial investments to be mildly cautious (2019 finding: balanced).

Independent Auditor's report continued to the members of IP Group plc

	The risk	Our response
Recoverability of investment in subsidiary undertakings (Parent Company). (£313.2 million; 2019: £331.6 million) <i>Refer to page 128 (Audit Committee Report), page 152 (accounting policy) and page 168 (financial disclosures).</i>	Low risk, High value The carrying amount of the parent company's investments in subsidiaries and loans to subsidiaries represents 99% (2019: 99%) of the company's total assets. Their recoverability is not at a high risk of significant misstatement or subject to significant judgement. However, due to their materiality in the context of the parent company financial statements, this is considered to be the area that had the greatest effect on our overall parent company audit. During the year there have been impairments due to liquidation. We have assessed that this does not indicate risk of significant misstatement in the remaining investments in subsidiaries.	Our procedures included: • Test of detail: Comparing the carrying amount of 100% of investments with the relevant subsidiaries draft balance sheet to identify whether their net assets, being an approximation of their minimum recoverable amount, were in excess of their carrying amount and assessing whether those subsidiaries have historically been profit-making or whether they have a positive net asset value and therefore coverage of the debt owed. • Assessing transparency: We consider the appropriateness, in accordance with relevant accounting standards, of the disclosures related to parent company's investment in subsidiaries. • Our findings: We found the recoverability of the parent company's investment in subsidiary undertakings to be balanced (2020 finding: balanced)

In the prior year, the uncertainties around Brexit and impact on the Group was identified as a key audit matter. However, given our risk assessment and understanding of the group as at 31 December 2020 we have not assessed this as one of the most significant risks in our current year audit and therefore it is not separately identified in our report this year.

3. Our application of materiality and an overview of the scope of our audit

The materiality for the Group financial statements as a whole was set at £10.5 m (2019: £10.6m), determined with reference to a benchmark of Group total assets, of which it represents 0.7% (2019: 0.8%).

Materiality for the parent company financial statements as a whole was set at £7.8m (2019: £8.4m), determined with reference to a benchmark of total assets, of which it represents 0.7% (2019: 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 for the group and parent company was set at 75% (2019: 75%) of materiality for the financial statements as a whole, which equates to £7.9m (2019: £7.9m) for the group and £5.8m (2019: £6.3m) 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 £500,000 (2019: £520,000), in addition to other identified misstatements that warranted reporting on qualitative grounds.

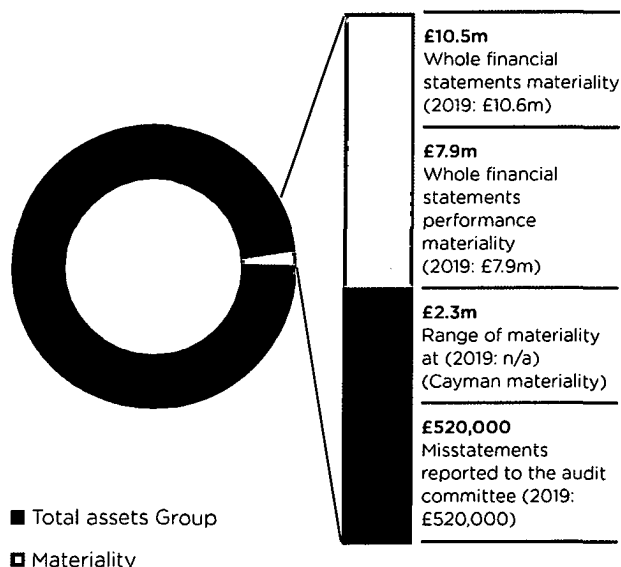
The scope of our work accounted for 100% of the Group revenue (2019: 100%), 100% of Group profit before tax (2019: 100%) and 100% of the Group's total assets (2019: 100%).

Total Assets

£1,475.3m (2019: £1,295.7m)

Group Materiality

£10.5m (2019: £10.4m)



Independent Auditor's report continued to the members of IP Group plc

4. Going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group's and the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We used our knowledge of the Group, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Group's and Company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Group's and Company's available financial resources and metrics relevant to debt covenants over this period were:

- Significant additional funding being made into current and future investee companies;
- Reduction in realisations over the period including of listed investments.

We considered whether these risks could plausibly affect the liquidity or covenant compliance in the going concern period by comparing severe, but plausible downside scenarios that could arise from these risks individually and collectively against the level of available financial resources and covenants indicated by the Group's financial forecasts.

We considered whether the going concern disclosure in note 1 to the financial statements gives a full and accurate description of the Directors' assessment of going concern.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's or Company's ability to continue as a going concern for the going concern period;
- we have nothing material to add or draw attention to in relation to the directors' statement in note 1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for the going concern period, and we found the going concern disclosure in note 1 to be acceptable; and
- the related statement under the Listing Rules set out on page 135 is materially consistent with the financial statements and our audit knowledge.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Company will continue in operation.

5. Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- enquiring of the Audit and Risk Committee and Executive management as to the Group's policies and procedures to prevent and detect fraud as well as enquiring whether they have knowledge of any actual, suspected or alleged fraud;
- reading minutes of meetings of those charged with governance.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account our overall knowledge of the control environment, we performed procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because revenue streams are simple in nature with respect to accounting policy choice, and are easily verifiable to external data sources or agreements with little or no requirement for estimation from management.

We identified an additional fraud risk over the valuation of the unquoted assets where there has not been a funding round for over 9 months from the valuation date.

Our procedures included:-

- Attending the valuation committees to evidence management challenge of the valuations;
- Inspection of third party documentation on the investee companies and their performance in the year;
- Corroboration of funding rounds to third party documentation; and
- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation.

We compared a sample of items within all material balances to supporting documentation to assess the validity of the entries.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with those charged with governance (as required by auditing standards), and discussed with management the policies and procedures regarding compliance with laws and regulations. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation including the Substantial Shareholding Exemption ("SSE") and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: regulatory capital and liquidity and certain aspects of company legislation recognising the nature of the Group's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the *override of internal controls*. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

6. We have nothing to report on the other information in the Annual Report and accounts

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.

Independent Auditor's report continued to the members of IP Group plc

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 page 56 that they have carried out a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the Risk and internal controls on page 48 disclosures describing these risks and how emerging risks are identified, and explaining how they are being managed and mitigated; and
- the directors' explanation in the viability statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to review the viability statement, set out on page 56 under the Listing Rules. Based on the above procedures, we have concluded that the above disclosures are materially consistent with the financial statements and our audit knowledge.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and Company's longer-term viability.

Corporate governance disclosures

We are required to perform procedures to identify whether there is a material inconsistency between the directors' corporate governance disclosures and the financial statements and our audit knowledge.

Based on those procedures, we have concluded that each of the following is materially consistent with the financial statements and our audit knowledge:

- the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy;
- the section of the annual report describing the work of the Audit Committee, including the significant issues that the audit committee considered in relation to the financial statements, and how these issues were addressed; and
- the section of the annual report that describes the review of the effectiveness of the Group's risk management and internal control systems.

We are required to review the part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified by the Listing Rules for our review, and to report to you if a corporate governance statement has not been prepared by the company. We have nothing to report in this respect.

Based solely on our work on the other information described above:

- with respect to the Corporate Governance Statement disclosures about internal control and risk management systems in relation to financial reporting processes and about share capital structures:
 - we have not identified material misstatements therein; and
 - the information therein is consistent with the financial statements; and
- in our opinion, the Corporate Governance Statement has been prepared in accordance with relevant rules of the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority.

7. 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.

8. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 135, 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.

9. The purpose of our audit work and to whom we owe our responsibilities

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

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

9 March 2021

Consolidated statement of comprehensive income

For the year ended 31 December 2020

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

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

Consolidated statement of financial position

As at 31 December 2020

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

Registered number: 4204490

The accompanying notes form an integral part of the financial statements. The financial statements on pages 148 to 151 were approved by the Board of Directors and authorised for issue on 9 March 2021 and were signed on its behalf by:



Alan Aubrey
Chief Executive Officer



Greg Smith
Chief Financial Officer

Consolidated statement of cash flows

For the year ended 31 December 2020

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

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

Consolidated statement of changes in equity

For the year ended 31 December 2020

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

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

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

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

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

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

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

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

(viii) Reflects currency translation differences on reserves non-GBP functional currency subsidiaries.

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

Notes to the consolidated financial statements

1. Accounting policies

Basis of preparation

The Annual Report and Accounts of IP Group plc ("IP Group" or the "Company") and its subsidiary companies (together, the "Group") are for the year ended 31 December 2020. The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated. These financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

The preparation of financial statements in compliance with IFRS requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in the most appropriate selection of the Group's accounting policies. The areas where significant judgements and estimates have been made in preparing the financial statements and their effect are disclosed in note 3.

Going Concern

The financial statements are prepared on a going concern basis. The directors have considered the impact of the of COVID-19 pandemic on the Group, and have completed a detailed financial forecast alongside severe but plausible scenario-based downside stress-testing, including the impact of declining portfolio values and a reduced ability to generate portfolio realisations. Consideration of the risks arising from the COVID-19 pandemic have been included within this assessment.

At the balance sheet date, the Group had cash and deposits of £270.3m, providing liquidity for in excess of two years' operating expenses, portfolio investment and debt repayments at recent levels. Furthermore, the group has a portfolio of investments valued at over £1.1bn, providing further opportunities for liquidity if required. Accordingly, our forecasting indicates that the Group has adequate resources to enable it to meet its obligations including its debt covenants and to continue in operational existence for at least the next 12 months from the date of the accounts. For further details see the Group's viability statement on page 56.

Changes in accounting policies

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

No new standards, interpretations and amendments effective in the year have had a material effect on the Group's financial statements.

(ii) New standards, interpretations and amendments not yet effective

No new standards, interpretations and amendments not yet effective are expected to have a material effect on the Group's future financial statements.

Basis of consolidation

(i) Business combinations

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

(ii) Subsidiaries

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

1. Accounting policies continued

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

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

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

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

(iii) Associates

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

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

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

The disclosures required by Section 409 of the Companies Act 2006 for associated undertakings are included in note 10 of the Company financial statements. Similarly, those investments which may not have qualified as an Associate but fall within the wider scope of significant holdings and so are subject to Section 409 disclosure acts are also included in note 10 of the Company financial statements.

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

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

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

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

Notes to the consolidated financial statements continued1. Accounting policies continued

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

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

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

The Group has a 46.4% interest in the total capital commitments of the UCL Fund. The Group has committed £24.8m to the fund alongside the European Investment Fund ("EIF"), University College London and other investors. Participation in the UCL Fund provides the Group with the opportunity to generate financial returns and visibility of potential intellectual property from across University College London's research base.

The Group has an 17.7% interest in the total capital commitments of Teknikos, a fund with an exclusive pipeline agreement with Oxford University's Institute of Biomedical Engineering.

The Group has an 8.3% interest in the total capital commitments of Apollo Therapeutics LLP ("Apollo"), a £40.0m venture between AstraZeneca, GlaxoSmithKline, Johnson & Johnson and the technology transfer offices of Imperial College London (via IP2IPO Innovations Limited), University College London (via UCL Business plc) and the University of Cambridge (via Cambridge Enterprise Limited). The venture supports the translation of academic therapeutic science into innovative new medicines by combining the skills of the university academics with industry expertise at an early stage.

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

Valuations in respect of Limited and Limited Liability Funds are based on IP Group's share of the Net Asset Value of the fund as per the audited financial statements prepared by the fund manager. The key judgments in the preparation of these accounts relate to the valuation of unquoted investments. Investments in these Limited and Limited Liability Partnerships are recognised at fair value through profit and loss in accordance with IFRS 9.

(v) Non-controlling interests

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

Portfolio return and revenue

Change in fair value

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

Revenue from services and other income

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

1. Accounting policies *continued*

Advisory fees

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

Fund management services

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

Licence and royalty income

The Group's IP licenses typically constitute separate performance obligations, being separate from other promised goods or services. Revenue is recognised in line with the performance obligations included in the license, which can include sales-based, usage-based or milestone-based royalties.

Financial assets

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

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

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

(i) At fair value through profit or loss

Held for trading and financial assets are recognised at fair value through profit and loss. This category includes equity investments, debt investments and investments in limited partnerships. Investments in associated undertakings, which are held by the Group with a view to the ultimate realisation of capital gains, are also categorised as at fair value through profit or loss. This measurement basis is consistent with the fact that the Group's performance in respect of investments in equity investments, limited partnerships and associated undertakings is evaluated on a fair value basis in accordance with an established investment strategy.

Financial assets at fair value through profit or loss are initially recognised at fair value and any gains or losses arising from subsequent changes in fair value are presented in profit or loss in the statement of comprehensive income in the period which they arise.

Fair value hierarchy

The Group classifies financial assets using a fair value hierarchy that reflects the significance of the inputs used in making the related fair value measurements. The level in the fair value hierarchy, within which a financial asset is classified, is determined on the basis of the lowest level input that is significant to that asset's fair value measurement. The fair value hierarchy has the following levels:

Level 1 – Quoted prices in active markets.

Level 2 – Inputs other than quoted prices that are observable, such as prices from market transactions.

Level 3 – One or more inputs that are not based on observable market data.

Equity investments

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

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

Notes to the consolidated financial statements continued

1. Accounting policies continued

Valuation techniques used

The fair value of unlisted securities is established using appropriate valuation techniques in line with IPEV guidelines and including IPEV's special guidance issued in March 2020 in response to COVID-19. The selection of appropriate valuation techniques is considered on an individual basis in light of the nature, facts and circumstances of the investment and in the expected view of market participants. The Group selects valuation techniques which make maximum use of market-based inputs. Techniques are applied consistently from period to period, except where a change would result in better estimates of fair value. Multiple valuation techniques may be used so that the results of one technique may be used as a cross check/corroboration of an alternative technique.

Valuation techniques used include:

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

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

Price of recent investment as an input in assessing fair value

The Group considers that fair value estimates which are based primarily on observable market data will be of greater reliability than those based on assumptions. Given the nature of the Group's investments in seed, start-up and early-stage companies, where there are often no current and no short-term future earnings or positive cash flows, it can be difficult to gauge the probability and financial impact of the success or failure of development or research activities and to make reliable cash flow forecasts. Consequently, in many cases the most appropriate approach to fair value is a valuation technique which is based on market data such as the price of a recent investment, and market participant assumptions as to potential outcomes.

Calibrating such scenarios or milestones may result in a fair value equal to price of recent investment for a limited period of time. Often qualitative milestones provide a directional indication of the movement of fair value.

In applying a calibrated scenario or milestone approach to determine fair value consideration is given to performance against milestones that were set at the time of the original investment decision, as well as taking into consideration the key market drivers of the investee company and the overall economic environment. Factors that the Group considers include, inter alia, technical measures such as product development phases and patent approvals, financial measures such as cash burn rate and profitability expectations, and market and sales measures such as testing phases, product launches and market introduction.

Where the Group considers that there is an indication that the fair value has changed, an estimation is made of the required amount of any adjustment from the last price of recent investment.

Where a deterioration in value has occurred, the Group reduces the carrying value of the investment to reflect the estimated decrease. If there is evidence of value creation the Group may consider increasing the carrying value of the investment; however, in the absence of additional financing rounds or profit generation it can be difficult to determine the value that a market participant may place on positive developments given the potential outcome and the costs and risks to achieving that outcome and accordingly caution is applied.

1. Accounting policies continued

Debt investments

Debt investments are generally unquoted debt instruments which are convertible to equity at a future point in time. Such instruments are considered to be hybrid instruments containing a fixed rate debt host contract with an embedded equity derivative. The Group designates the entire hybrid contract at fair value through profit or loss on initial recognition and, accordingly, the embedded derivative is not separated from the host contract and accounted for separately. The price at which the debt investment was made may be a reliable indicator of fair value at that date depending on facts and circumstances. Any subsequent remeasurement will be recognised as changes in fair value in the statement of comprehensive income.

(ii) At amortised cost

These assets are non-derivative financial assets with fixed and determinable payments that are not quoted in an active market. They arise principally through the provision of services to customers (trade receivables) and are carried at cost less provision for impairment.

Deposits

Deposits comprise longer-term deposits held with financial institutions with an original maturity of greater than three months and, in line with IAS 7 are not included within cash and cash equivalents. Cash flows related to amounts held on deposit are presented within investing activities in the consolidated statement of cash flows.

Cash and cash equivalents

Cash and cash equivalents include cash in hand and short-term deposits held with financial institutions with an original maturity of three months or less.

Financial liabilities

Current financial liabilities are composed of trade payables and other short-term monetary liabilities, which are recognised at amortised cost.

Non-current liabilities are composed of loans from Limited Partners of consolidated funds, outstanding amounts drawn down from a debt facility provided by the European Investment Bank, carried interest plans liabilities, and revenue share liabilities arising as a result of the Group's former Technology Pipeline Agreement with University College London.

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

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

The Group operates a number of Long Term Incentive Carry Schemes ("LTICS") for eligible employees which may result in payments to scheme participants relating to returns from investments. Under the Group's LTICS arrangements, a profit-sharing mechanism exists whereby if a specific vintage delivers returns in excess of the base cost of investments together with a hurdle rate of 8% per annum compound, scheme participants receive a 20% share of excess returns. The calculation of the liability in respect of the Group's LTICS is derived from the fair value estimates for the relevant portfolio investments and does not involve significant additional judgment (although the fair value of the portfolio is a significant accounting estimate). The actual amounts of carried interest paid will depend on the cash realisations of individual vintages, and valuations may change significantly in the next financial year. Movements in the liability are recognised in the consolidated statement of comprehensive income.

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

Unless otherwise indicated, the carrying amounts of the Group's financial liabilities are a reasonable approximation to their fair value. Non-current liabilities are recognised initially at fair value net of transaction costs incurred, and subsequently at amortised cost.

Notes to the consolidated financial statements continued

1. Accounting policies continued

Share capital

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

Top Technology Ventures Limited and Parkwalk Advisors Ltd, are Group subsidiaries which are subject to external capital requirements imposed by the Financial Conduct Authority ("FCA") and as such must ensure that it has sufficient capital to satisfy these requirements. The Group ensures it remains compliant with these requirements as described in their respective financial statements.

Employee benefits

(i) Pension obligations

The Group operates a company defined contribution pension scheme for which all employees are eligible. The assets of the scheme are held separately from those of the Group in independently administered funds. The Group currently makes contributions on behalf of employees to this scheme or to employee personal pension schemes on an individual basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due.

(ii) Share-based payments

The Group engages in equity-settled share-based payment transactions in respect of services receivable from employees, by granting employees conditional awards of ordinary shares subject to certain vesting conditions.

Conditional awards of shares are made pursuant to the Group's Long Term Incentive Plan ("LTIP") awards and/or the Group's Annual Incentive Scheme ("AIS"). The fair value of the shares is estimated at the date of grant, taking into account the terms and conditions of the award, including market-based performance conditions.

The fair value at the date of grant is recognised as an expense over the period that the employee provides services, generally the period between the start of the performance period and the vesting date of the shares. The corresponding credit is recognised in retained earnings within total equity. The fair value of services is calculated using the market value on the date of award and is adjusted for expected and actual levels of vesting. Where conditional awards of shares lapse the expense recognised to date is credited to the statement of comprehensive income in the year in which they lapse.

Where the terms for an equity-settled award are modified, and the modification increases the total fair value of the share-based payment, or is otherwise beneficial to the employee at the date of modification, the incremental fair value is amortised over the vesting period.

See the Directors' Remuneration Report on pages 107 to 127 and note 22 for further details.

Deferred tax

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

Leases

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

2. Financial Risk Management

As set out in the principal risks and uncertainties section on pages 46 to 57, the Group is exposed, through its normal operations, to a number of financial risks, the most significant of which are market, liquidity and credit risks.

In general, risk management is carried out throughout the Group under policies approved by the Board of Directors. The following further describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

(a) Market risk

(i) Price risk

The Group is exposed to equity securities price risk as a result of the equity and debt investments, and investments in Limited Partnerships held by the Group and categorised as at fair value through profit or loss.

The Group mitigates this risk by having established investment appraisal processes and asset monitoring procedures which are subject to overall review by the Board. The Group has also established corporate finance and communications teams dedicated to supporting portfolio companies with fundraising activities and investor relations.

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

The net portfolio gain in 2020 of £231.4m represents a 22.1% increase against the opening balance (2019: net loss of £43.9m, a 4.4% reduction) and a similar increase or decrease in the prices of quoted and unquoted investments is considered to be reasonably possible. The table below summarises the impact of a 1% increase/decrease in the price of both quoted and unquoted investments on the Group's post-tax profit for the year and on equity.

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

(ii) Interest rate risk

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

The variable rate consists of two elements. A facility of £9m which includes a fixed element of 1.98% with an additional variable spread equal to the six-month GBP LIBOR rate as at the first date of each six-month interest period. The average floating interest rate (including the fixed element) for 2019 was 2.42% (2019: 2.90%). The second facility of £6.6m is based on a floating interest rate including LIBOR and the average interest in the year was 3.14% (2019: 3.64%). There are no hedging instruments in place to cover against interest rate fluctuation as exposure is deemed insignificant. For further details of the Group's EIB loans including covenant details see note 19.

The other primary impact of interest rate risk to the Group is the impact on the income and operating cash flows as a result of the interest-bearing deposits and cash and cash equivalents held by the Group.

(iii) Concentrations of risk

The Group is exposed to concentration risk via the significant majority of the portfolio being UK-based companies and thus subject to the performance of the UK economy. The Group is increasing its operations in the US and the determination of the associated concentrations is determined by the number of investment opportunities that management believes represent a good investment.

The Group mitigates this risk, in co-ordination with liquidity risk, by managing its proportion of fixed to floating rate financial assets. The table below summarises the interest rate profile of the Group.

Notes to the consolidated financial statements continued

2. Financial Risk Management continued

	2020				2019			
	Fixed rate £m	Floating rate	Interest free £m	Total £m	Fixed rate £m	Floating rate	Interest free £m	Total
Financial assets								
Equity investments	-	-	1,124.0	1,124.0	-	-	1,021.9	1,021.9
Debt investments	-	-	38.7	38.7	-	-	23.7	23.7
Limited and limited liability partnership interests	-	-	22.2	22.2	-	-	21.4	21.4
Deposits	142.7	-	-	142.7	73.0	-	-	73.0
Cash and cash equivalents	-	127.6	-	127.6	-	121.9	-	121.9
Trade receivables	-	-	1.5	1.5	-	-	1.4	1.4
Other receivables	-	-	2.1	2.1	-	-	3.6	3.6
Receivable on sale of debt and equity investments	-	-	15.3	15.3	-	-	27.3	27.3
	142.7	127.6	1,203.8	1,474.1	73.0	121.9	1,099.3	1,294.2
Financial liabilities								
Trade payables	-	-	(0.6)	(0.6)	-	-	(1.4)	(1.4)
Other accruals and deferred income	-	-	(10.4)	(10.4)	-	-	(24.5)	(24.5)
EIB debt facility	(51.7)	(15.6)	-	(67.3)	(62.6)	(19.9)	-	(82.5)
Carried interest plan liability	-	-	(19.3)	(19.3)	-	-	(5.5)	(5.5)
Revenue share liability	-	-	(12.9)	(12.9)	-	-	(13.7)	(13.7)
Loans from limited partners of consolidated funds	-	-	(32.9)	(32.9)	-	-	(26.0)	(26.0)
	(51.7)	(15.6)	(76.1)	(143.4)	(62.6)	(19.9)	(71.3)	(153.8)

At 31 December 2020, if interest rates had been 1% higher/lower, post-tax profit for the year, and other components of equity, would have been £1.3m (2019: £1.6m) higher/lower as a result of higher interest received on floating rate cash deposits.

(b) Liquidity risk

The Group seeks to manage liquidity risk, to ensure sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. The Group's Treasury Management Policy asserts that at any one point in time no more than 60% of the Group's cash and cash equivalents will be placed in fixed term deposits with a holding period greater than three months. Accordingly, the Group only invests working capital in short-term instruments issued by reputable counterparties. The Group continually monitors rolling cash flow forecasts to ensure sufficient cash is available for anticipated cash requirements.

(c) Credit risk

The Group's credit risk is primarily attributable to its deposits, cash and cash equivalents, debt investments and trade receivables. The Group seeks to mitigate its credit risk on cash and cash equivalents by making short-term deposits with counterparties, or by investing in treasury funds with an "AA" credit rating or above managed by institutions. Short-term deposit counterparties are required to have most recently reported total assets in excess of £5bn and, where applicable, a prime short-term credit rating at the time of investment (ratings are generally determined by Moody's or Standard & Poor's). Moody's prime credit ratings of "P1", "P2" and "P3" indicate respectively that the rating agency considers the counterparty to have a "superior", "strong" or "acceptable" ability to repay short-term debt obligations (generally defined as having an original maturity not exceeding 13 months). An analysis of the Group's deposits and cash and cash equivalents balance analysed by credit rating as at the reporting date is shown in the table opposite. All other financial assets are unrated.

2. Financial Risk Management continued

Credit rating	2020 £m	2019 £m
P1	221.3	176.1
AAAMMF ¹	43.2	13.2
Other ²	5.8	5.6
Total deposits and cash and cash equivalents	270.3	194.9

¹ The Group holds £43.2m (2019: £13.2m) with JP Morgan GBP liquidity fund, which has a AAAMMF credit rating with Fitch.

² The Group holds £5.8m (2019: £5.6m) with Arbuthnot Latham, a private bank with no debt in issue and, accordingly, on which a credit rating is not applicable. Bloomberg assess Arbuthnot Latham's 1-year default probability at 0.2173% (2019: 0.1127%).

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers. The Group has detailed policies and strategies which seek to minimise these associated risks including defining maximum counterparty exposure limits for term deposits based on their perceived financial strength at the commencement of the deposit. The maximum single counterparty limit for fixed term deposits in excess of 3 months at 31 December 2020 was the greater of 25% of total group cash or £50m (2019: 25%, £50m). In addition, no single institution may hold more than the higher of 50% of total cash and deposits or £50m. (2019: 50%, £50m)

The Group's exposure to credit risk on debt investments is managed in a similar way to equity price risk, as described earlier, through the Group's investment appraisal processes and asset monitoring procedures which are subject to overall review by the Board. The maximum exposure to credit risk for debt investments, receivables and other financial assets is represented by their carrying amount.

3. Significant accounting estimates and judgements

The directors make judgements and estimates concerning the future. Estimates and judgements are continually evaluated and are based on historical experience and other factors, such as expectations of future events, and are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and assumptions which have the most significant effects on the carrying amounts of the assets and liabilities in the financial statements are discussed below.

(i) Valuation of unquoted equity and debt investments

The group's accounting policy in respect of the valuation of unquoted equity investments is set out in note 1. In applying this policy, the key areas over which judgment are exercised include:

- Consideration of whether a funding round is at arm's length and therefore representative of fair value
- The relevance of the price of recent investment as an input to fair value, which typically becomes more subjective as the time elapsed between the recent investment date and the balance sheet date increases.
- In the case of companies with complex capital structures, the appropriate methodology for assigning value to different classes of equity based on their differing economic rights.
- Where using valuation methods such as discounted cash flows or revenue multiples, the assumptions around inputs including the probability of achieving milestones and the discount rate used, and the choice of comparable companies used within revenue multiple analysis.
- Debt investments typically represent convertible debt, in such cases judgment is exercised in respect of the estimated equity value received on conversion of the loan.

In all cases, valuations are based on management's judgement after consideration of the above and upon available information believed to be reliable, which may be affected by conditions in the financial markets. Due to the inherent uncertainty of the investment valuations, the estimated values may differ significantly from the values that would have been used had a ready market for the investments existed, and the differences could be material.

Notes to the consolidated financial statements continued

4. Revenue from services

Revenue from services is derived from the provision of advisory and venture capital fund management services or from licensing activities, royalty revenues and patent cost recoveries.

5. Operating segments

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

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

- the commercialisation of intellectual property via the formation of long-term partner relationships with universities;
- the management of venture capital funds focusing on early-stage UK technology companies and the provision of corporate finance advice;

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

These activities are described in further detail in the strategic report on pages 6 to 11.

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

5. Operating segments continued

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

Year ended 31 December 2020	UK £m	Non-UK £m	Consolidated £m
STATEMENT OF FINANCIAL POSITION BY GEOGRAPHY			
Current assets	287.1	2.1	289.2
Non-current assets	1,099.7	86.4	1,186.1
Current liabilities	(26.1)	(0.3)	(26.4)
Non-current liabilities	(101.7)	(15.3)	(117.0)
Total equity	1,259.0	72.9	1,331.9

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

Notes to the consolidated financial statements *continued*

5. Operating segments *continued*

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

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

	UK £m	Non-UK £m	Consolidated £m
Year ended 31 December 2019			
STATEMENT OF FINANCIAL POSITION BY GEOGRAPHY			
Current assets	220.2	7.0	227.2
Non-current assets	1,001.3	67.2	1,068.5
Current liabilities	(40.0)	(1.4)	(41.4)
Non-current liabilities	(103.0)	(9.4)	(112.4)
Total equity	1,078.5	63.4	1,141.9

6. Auditor's remuneration

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

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

7. Operating profit/(loss)

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

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

8. Other administrative expenses

Other administrative expenses comprise:

	2020 £m	2019 £m
Employee costs (see note 9)	20.6	19.6
IFRS3 charge in respect of acquisition of subsidiary ¹	1.2	2.5
Professional Services	5.4	5.0
Consolidated portfolio company costs	0.4	5.4
Depreciation of tangible assets	1.4	1.2
Other expenses	0.4	5.4
	29.4	39.1

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

9. Employee Costs

Employee costs (including executive directors) comprise:

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

The average monthly number of persons (including executive directors) employed by the Group during the year was 103, all of whom were involved in management and administration activities (2019: 130). Details of the Directors' remuneration can be found in the Directors' Remuneration Report on pages 113 to 114.

10. Taxation

	2020 £m	2019 £m
Current tax		
UK corporation tax on profits for the year	-	-
Foreign tax	0.1	0.1
	0.1	0.1
Deferred tax	0.6	-
Total tax	0.7	0.1

The Group primarily seeks to generate capital gains from its holdings in spin-out companies over the longer-term but has historically made annual net operating losses from its operations from a UK tax perspective. Capital gains achieved by the Group would ordinarily be taxed upon realisation of such holdings. The directors continue to believe that the Group qualifies for the Substantial Shareholdings Exemption ("SSE").

Notes to the consolidated financial statements continued

10. Taxation continued

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

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

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

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

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

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

11. Earnings/(loss) per share

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

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

11. Earnings/(loss) per Share continued

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).

	2020 pence	2019 pence
Basic	17.47	(7.12)
Diluted	17.36	(7.12)

12. Categorisation of financial instruments

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

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

In light of the credit ratings applicable to the Group's cash and cash equivalent and deposits, (see note 2 for further details), we estimate expected credit losses on the Group's receivables to be under £0.1m and therefore not disclosed further (2019: less than £0.1m), similarly we have not presented an analysis of credit ratings of trade and other receivable and receivables on sale of debt and equity investments.

All net fair value gains in the year are attributable to financial assets designated at fair value through profit or loss on initial recognition (2019: all net fair value gains in the year are attributable to financial assets designated at fair value through profit or loss on initial recognition).

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

Notes to the consolidated financial statements continued

13. Net investment portfolio

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

	Level 1	Level 3	Total £m
	Equity investments in quoted spin-out companies £m	Unquoted debt investments in spin-out companies £m	Equity investments in unquoted spin-out companies £m
At 1 January 2020	117.5	23.7	904.4
Investments during the year	6.0	22.6	38.9
Transaction-based reclassifications during the year	-	(4.9)	4.9
Other transfers between hierarchy levels during the year	0.4	(3.6)	3.2
Disposals	(80.7)	(0.9)	(17.0)
Fees settled via equity	-	-	0.2
Change in revenue share ⁽ⁱ⁾	-	-	(0.9)
Change in fair value in the year ⁽ⁱⁱ⁾	40.2	1.8	106.9
At 31 December 2020	83.4	38.7	1,040.6
At 1 January 2019	133.2	33.1	961.9
Investments during the year	6.3	22.2	36.2
Transaction-based reclassifications during the year	-	(10.3)	10.3
Disposals	(9.0)	(0.1)	(81.6)
Other transfers between hierarchy levels during the year	-	(1.0)	1.0
Fair value of investment in Mobilion recognised on deconsolidation	-	-	11.2
Fees settled via equity	-	-	-
Change in revenue share ⁽ⁱ⁾	(0.6)	-	3.4
Change in fair value in the year ⁽ⁱⁱ⁾	(12.4)	(20.2)	(38.0)
At 31 December 2019	117.5	23.7	904.4

⁽ⁱ⁾ For description of revenue share arrangement see description below.

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

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

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

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

13. Net investment portfolio continued

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

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

For assets and liabilities that are recognised at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. Transfers between levels are then made as if the transfer took place on the first day of the period in question, except in the cases of transfers between tiers based on an initial public offering ("IPO") of an investment wherein the changes in value prior to the IPO are calculated and reported in level 3, and those changes post are attributed to level 1.

Transfers between level 3 and level 1 occur when a previously unquoted investment undertakes an initial public offering, resulting in its equity becoming quoted on an active market. In the current period, transfers of this nature amounted to £0.4m (2019: £nil). Transfers between level 1 and level 3 would occur when a quoted investment's market becomes inactive, or the portfolio company elects to delist. There have been no such instances in the current period (2019: no such instances).

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

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

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

Revenue share arrangement and corresponding liability

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

14. Gain on disposal of equity investments

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

Notes to the consolidated financial statements continued

15. Gain on deconsolidation of subsidiary

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

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

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

	2020 £'000s	2019 £'000s
Fair value of equity investment recognised	-	11.2
<i>Fair value of subsidiary net assets disposed:</i>		
Cash	-	2.5
Other net liabilities	-	(3.1)
	-	10.6

16. Trade and Other Receivables

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

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

17. Receivable on sale of debt and equity investments

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

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

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

18. Trade and other payables

	2020 £m	2019 £m
Current liabilities		
Trade payables	0.6	1.4
Social security expenses	0.8	0.5
Bonus accrual	2.8	2.1
Lease liability	0.9	2.1
Payable to Imperial College and other third parties under revenue share obligations (short term)	2.1	11.2
Current tax payable	-	0.1
Other accruals and deferred income	3.8	8.6
	11.0	26.0

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

19. Borrowings

	2020 £m	2019 £m
Non-current liabilities		
Loans drawn down from the Limited Partners of consolidated funds	32.9	26.0
EIB debt facility	51.9	67.1
	84.8	93.1
	2020 £m	2019 £m
Current liabilities		
EIB debt facility	15.4	15.4
	15.4	15.4

Loans drawn down from the Limited Partners of consolidated funds

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

EIB debt facility

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

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

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

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

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

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

Notes to the consolidated financial statements continued

19. Borrowings continued

		2020 £m	2019 £m
The maturity profile of the borrowings was as follows:			
Due within 6 months		7.7	7.7
Due 6 to 12 months		7.7	7.7
Due 1 to 5 years		48.8	64.2
Due after 5 years		3.1	3.1
Total ⁽ⁱ⁾		67.3	82.7
A reconciliation in the movement in debt is as follows:			
At 1 January		82.7	98.1
Repayment of debt		(15.4)	(15.4)
At 31 December⁽ⁱ⁾		67.3	82.7

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

There were no non-cash movements in debt.

20. Share capital

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

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

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

21. Operating lease arrangements

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

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

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

21. Operating lease arrangements continued

Lease liabilities

	2020 £m	2019 £m
Maturity analysis – contractual undiscounted cash flows		
Within one year	0.8	1.3
In the second to fifth years inclusive	0.1	0.9
More than five years	-	-
Total undiscounted lease liabilities at 31 December	0.9	2.2
Statement of financial position		
Current	0.8	1.2
Non-current	0.1	0.9
At 31 December 2020	0.9	2.1
Statement of comprehensive income		
Interest on lease liabilities	0.1	0.1
Amounts recognised in the statement of cash flows		
Total cash outflow for leases	1.1	1.2

22. Share-based payments

In 2020, the Group continued to incentivise employees through its LTIP and AIS. Both are described in more detail in the Directors' Remuneration Report on pages 107 to 121.

Deferred bonus share plan ("DBSP")

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

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

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

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

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

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

Notes to the consolidated financial statements continued

22. Share-based payments continued

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 116 to 117.

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

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

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

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

22. Share-based payments continued

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

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

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

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

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

Former Touchstone LTIP

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

2016 schemes:

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

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

The options outstanding at 31 December 2020 had an exercise price of 1.366p (2019: 1.366p) and a weighted-average remaining contractual life of 1.2 years (2019: 1.9 years).

Notes to the consolidated financial statements *continued*

22. Share-based payments *continued*

2006 schemes:

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

	Number of options 2020	Weighted- average exercise price 2020	Number of options 2019	Weighted- average exercise price 2019
At 1 January	1,078,099	2.13	1,278,834	2.13
Forfeited during the year	-	-	(200,735)	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 2020 had an exercise price of £2.13 (2019: £2.13) and a weighted-average remaining contractual life of 3.9 years (2019: 4.9 years).

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

23. Long-Term incentive carry scheme

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

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

24. Limited and limited liability partnership interests

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

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

See note 1 for the valuation policy in respect of limited and limited liability partnership interests.

25. Non-controlling interests

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

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

	IPG Cayman LP		IP Venture Fund II LP	
	2020 £m	2019 £m	2020 £m	2019 £m
Profit/(loss) for the year	2.7	0.2	(3.0)	(3.2)
Profit attributable to NCI	0.5	-	(2.0)	(2.2)
Current assets	0.7	7.2	0.1	0.5
Non-current assets	82.3	63.3	24.4	25.9
Current liabilities	(0.1)	-	(0.3)	(0.6)
Non-current liabilities	(77.8)	(70.7)	(26.4)	(25.0)
Net assets	5.1	(0.2)	(2.2)	0.8
Net assets attributable to NCI	1.0	-	(1.5)	0.5
Cash flows from operating activities	5.4	(4.6)	0.5	1.0
Cash flows from investing activities	(10.6)	(5.5)	(1.1)	(2.3)
Cash flows from financing activities	-	-	-	-
Net increase in cash and cash equivalents	(5.2)	(10.1)	(0.6)	(1.3)

Notes to the consolidated financial statements continued

26. Related party transactions

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

a) Limited partnerships

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

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

Statement of financial position	2020 £m	2019 £m
Investment in limited partnerships	-	5.6
Amounts due from related parties	-	-

b) Key management transactions

i) Key management personnel transactions

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

Director/ PDMR	Company name	Number of shares held at 1 January 2020	Number of shares acquired/ (disposed of) in the period	Number of shares held at 31 December 2020	%
Alan Aubrey	Accelercomm Limited	638	-	638	0.24%
	Alesi Surgical Limited	18	-	18	0.14%
	Amaethon Limited – A Shares	104	-	104	3.12%
	Amaethon Limited – B Shares	11,966	-	11,966	1.04%
	Amaethon Limited – Ordinary shares	21	-	21	0.32%
	Avacta Group plc ^{2, 6, 7}	271,334	-	271,334	<0.1%
	Boxarr Limited	1,732	-	1,732	0.24%
	Crysalin Limited	1,447	-	1,447	0.13%
	Deep Matter Group plc	2,172,809	-	2,172,809	0.30%
	Deepverge plc ⁴	51,927	-	51,927	0.42%
	Ditto AI Limited - Ordinary Shares	1,097,912,028	-	1,097,912,028	12.41%
	Ditto AI Limited - B Shares	98,876,568	-	98,876,568	1.12%
	Diurnal Group plc	15,000	-	15,000	<0.1%
	EmDot Limited	15	-	15	0.87%
	Istesso Limited	1,185,150	-	1,185,150	1.05%
	Itaconix plc	88,890	-	88,890	<0.1%
	Karus Therapeutics Limited	223	-	223	<0.1%
	Microbiotica Limited	10,000	-	10,000	<0.1%
	Mirriad Advertising plc	33,333	-	33,333	<0.1%
	Open Orphan plc ^{2, 3, 6}	91,785	-	91,785	<0.1%
	Oxbotica Limited	29	-	29	<0.1%
	Oxford Advanced Surfaces Limited	1	-	1	<0.1%
	Oxford Nanopore Technologies Limited	92,725	-	92,725	0.31%
	Perachem Holdings plc	108,350	-	108,350	0.29%
	Salunda Limited	53,639	-	53,639	<0.1%
	Surrey Nanosystems Limited	453	-	453	0.22%
	Tissue Regenix Group plc	2,389,259	9,785,600	12,174,859	0.17%
	Xeros Technology Group plc ⁵	228	-	228	<0.1%
	Zeetta Networks Limited	424	-	424	0.13%

26. Related Party Transactions continued

Director/ PDMR	Company name	Number of shares held at 1 January 2020	Number of shares acquired/ (disposed of) in the period	Number of shares held at 31 December 2020	%
Mike Townend	Amaethon Limited — A Shares	104	-	104	3.12%
	Amaethon Limited — B Shares	11,966	-	11,966	1.04%
	Amaethon Limited — Ordinary shares	21	-	21	0.32%
	Applied Graphene Materials plc	22,619	-	22,619	<0.1%
	Avacta Group plc ^{2,6}	20,001	-	20,001	<0.1%
	Creavo Medical Technologies Limited	117	-	117	<0.1%
	Crysalin Limited	1,286	-	1,286	0.11%
	Deep Matter Group plc	932,944	-	932,944	0.13%
	Deepverge plc ⁴	66,549	-	66,549	0.46%
	Ditto AI Limited	613,048	-	613,048	<0.1%
	Diurnal Group plc	15,000	-	15,000	<0.1%
	EmDot Limited	14	-	14	0.81%
	Istesso Limited	1,185,150	-	1,185,150	1.05%
	Itaconix plc	64,940	-	64,940	<0.1%
	Mirriad Advertising plc	25,000	-	25,000	<0.1%
	Oxbotica Limited	26	-	26	<0.1%
	Oxford Advanced Surfaces Limited	1	-	1	<0.1%
	Open Ophan Plc ^{2,3,6}	91,785	-	91,785	<0.1%
	Oxford Nanopore Technologies Limited	28,651	-	28,651	<0.1%
	Perachem Holdings plc	113,222	-	113,222	0.30%
	Surrey Nanosystems Limited	404	-	404	0.20%
	Tissue Regenix Group plc	1,950,862	9,600,000	11,550,862	0.16%
	Ultraleap Holdings Limited ¹	1,224	-	1,224	<0.1%
	Xeros Technology Group plc ⁵	355	-	355	<0.1%
Greg Smith	Alesi Surgical Limited	2	-	2	<0.1%
	Avacta Group plc ^{2,6}	3,904	(1,487)	2,417	<0.1%
	Crysalin Limited	149	-	149	<0.1%
	Deepverge plc ⁴	73	-	73	<0.1%
	Ditto AI Limited	144,246	-	144,246	<0.1%
	Diurnal Group plc	15,000	-	15,000	<0.1%
	EmDot Limited	4	-	4	0.23%
	Istesso Limited	313,425	-	313,425	0.28%
	Itaconix plc	4,500	-	4,500	<0.1%
	Perachem Holdings plc	4,830	-	4,830	<0.1%
	Mirriad Advertising plc	16,667	-	16,667	<0.1%
	Open Orphan plc ^{2,3,6}	151,510	-	151,510	<0.1%
	Oxbotica Limited	8	-	8	<0.1%
	Oxford Nanopore Technologies Limited	1,537	63	1,600	<0.1%
	Surrey Nanosystems Limited	88	-	88	<0.1%
	Tissue Regenix Group plc	50,000	-	50,000	<0.1%
	Xeros Technology Group plc ⁵	14	-	14	<0.1%

Notes to the consolidated financial statements continued

26. Related Party Transactions continued

Director/ PDMR	Company name	Number of shares held at 1 January 2020	Number of shares acquired/ (disposed of) in the period	Number of shares held at 31 December 2020	%
David Baynes	Alesi Surgical Limited	4	-	4	<0.1%
	Arkivum Limited	377	-	377	<0.1%
	Creavo Medical Technologies Limited	46	-	46	<0.1%
	Diurnal Group plc	73,000	-	73,000	<0.1%
	Mirriad Advertising plc	16,667	-	16,667	<0.1%
	Oxford Nanopore Technologies Limited	174	-	174	<0.1%
	Ultraleap Holdings Limited ¹	2,600	-	2,600	<0.1%
	Zeetta Networks Limited	424	-	424	0.13%
Mark Reilly	Actual Experience plc	65,500	-	65,500	0.14%
	Bramble Energy Limited	-	16	16	<0.1%
	Ceres Power Holdings plc ^{2,6}	5,697	(5,697)	-	<0.1%
	Diurnal Group plc	7,500	-	7,500	<0.1%
	Itaconix plc	-	377,358	377,358	0.09%
	Mirriad Advertising plc	66,666	-	66,666	<0.1%
	Oxbotica Limited	8	-	8	<0.1%
	Ultraleap Holdings Limited ¹	1,700	-	1,700	<0.1%
	Wave Optics Limited	308	-	308	<0.1%
Sam Williams	Accelercomm Limited	127	-	127	<0.1%
	Alesi Surgical Limited	1	-	1	<0.1%
	Avacta Group plc ^{2,6}	19,537	(19,537)	-	<0.1%
	Creavo Medical Technologies Limited	23	-	23	<0.1%
	Diurnal Group plc	52,248	33,000	85,248	<0.1%
	Genomics plc	333	-	333	<0.1%
	Istesso Limited	7,048,368	-	7,048,368	8.89%
	Microbiotica Limited	7,000	-	7,000	<0.1%
	Mirriad Advertising plc	3,333	-	3,333	<0.1%
	Oxehealth Limited	27	-	27	<0.1%
	Oxford Nanopore Technologies Limited	340	445	785	<0.1%
	Topivert Limited	1,000	-	1,000	<0.1%
	Ultraleap Holdings Limited ¹	558	-	558	<0.1%

¹ Previously called Ultrahaptics Holdings Limited.

² No longer a portfolio company at the balance sheet date.

³ Open Orphan plc acquired hVivo plc. Shares were issued 1:2.47, hVivo plc : Open Orphan plc. Open Orphan plc opening position restated post acquisition of hVivo plc.

⁴ Deepverge plc acquired Modern Water plc. Shares were issued 10:1, Modern Water plc : Deepverge plc. Deepverge plc opening position restated post acquisition of Modern Water plc.

⁵ Xeros Technology Group plc opening position restated following 100:1 share consolidation.

⁶ Disclosed number reflects position at the point that the company ceased to be an IP Group holding.

⁷ Restated opening position.

26. Related Party Transactions *continued*

ii) Key management personnel compensation

Key management personnel compensation comprised the following:

	2020 £m	2019 £m
Short-term employee benefits ⁽ⁱ⁾	3,206	2,776
Post-employment benefits ⁽ⁱⁱ⁾	65	93
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payments ⁽ⁱⁱⁱ⁾	1,515	1,195
Total	4,786	4,064

⁽ⁱ⁾ Represents key management personnel's base salaries, benefits including cash in lieu of pension where relevant, and the cash-settled element of the Annual Incentive Scheme.

⁽ⁱⁱ⁾ Represents employer contributions to defined contribution pension and life assurance plans

⁽ⁱⁱⁱ⁾ Represents the accounting charge for share-based payments, reflecting LTIP and DBSP options currently in issue as part of these schemes. See note 22 for a detailed description of these schemes.

c) Portfolio companies

i) Services

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

	2020 £m	2019 £m
Statement of comprehensive income		
Revenue from services	0.2	0.5
	2020 £m	2019 £m
Statement of financial position		
Trade receivables	0.3	0.2

ii) Investments

The Group makes investments in the equity and debt of unquoted and quoted investments where it does not have control but may be able to participate in the financial and operating policies of that company. It is presumed that it is possible to exert significant influence when the equity holding is greater than 20%. The Group has taken the Venture Capital Organisation exception as permitted by IAS 28 and not recognised these companies as associates, but they are related parties. The total amounts included for investments where the Group has significant influence but not control are as follows:

	2020 £m	2019 £m
Statement of comprehensive income		
Net portfolio gains/(losses)	20.9	(54.2)
	2020 £m	2019 £m
Statement of financial position		
Equity and debt investments	500.8	532.7

d) Subsidiary companies

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

	2020 £m	2019 £m
Intercompany balances with other Group companies	2.6	1.5

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

Notes to the consolidated financial statements continued

27. Capital management

The Group's key objective when managing capital is to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure, and makes adjustments to it, in light of changes in economic conditions and the risk characteristics of its underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of issued new shares or dispose of interests in more mature portfolio companies.

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

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

28. Capital commitments

Commitments to limited partnerships

Pursuant to the terms of their limited partnership agreements, the Group has committed to invest the following amounts into limited partnerships as at 31 December 2020:

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

29. Alternative Performance Measures ("APM")

IP Group management believes that the alternative performance measures included in this document provide valuable information to the readers of the financial statements as they enable the reader to identify a more consistent basis for comparing the business' performance between financial periods and provide more detail concerning the elements of performance which the managers of the Group are most directly able to influence or are relevant for an assessment of the Group. They also reflect an important aspect of the way in which operating targets are defined and performance is monitored by the directors. These measures are not defined by IFRS and therefore may not be directly comparable with other companies' APMs, including those in the Group's industry. APMs should be considered in addition to, and are not intended to be a substitute for, or superior to, IFRS measurements.

The directors believe that these APMs assist in providing additional useful information on the underlying trends, performance and position of the Group. Consequently, APMs are used by the directors and management for performance analysis, planning, reporting and incentive-setting purposes.

APM	Reference for reconciliation	Definition and purpose	Calculation		
				2020 £m	2019 £m
Hard NAV	Primary Statements	Hard NAV is defined as the total equity of the Group less intangible assets. Excluding intangible assets highlights the Group's assets that management can be reasonably expected to influence in the short term and therefore reflects the short-term resources available to drive future performance. Additionally, excluding intangible assets allows better comparison with the Group's competitors, many of which operate under fund structures and therefore would not include intangible assets. The measure shows tangible assets managed by the Group. It is used as a performance metric for directors and employees as a part of annual incentives in the Group.	Total Equity	1,331.9	1,141.9
			<i>Excluding:</i>		
			Goodwill	0.4	-
			Other intangible assets	-	-
			Hard NAV	1,331.5	1,141.5
Hard NAV per share	Primary Statements, note 20	Hard NAV per share is defined as Hard NAV, as defined above, divided by the number of shares in issue. The measure shows tangible assets managed by the Group per share in issue. It is a useful measure to compare to the Group's share price.	Hard NAV	£1,331.5m	£1,141.5m
			Shares in issue	1,062,353,734	1,059,144,595
			Hard NAV per share	125.3p	107.8p
Return on Hard NAV	Primary statements, note 8	Return on Hard NAV is defined as the total comprehensive income or loss for the year excluding charges which do not impact on Hard NAV, specifically amortisation of intangible assets, share-based payment charges and the charge in respect of consideration deemed to represent post-acquisition services under IFRS 3 which is anticipated to be a non-recurring item. The measure shows a summary of the income statement gains and losses which directly impact Hard NAV	Total comprehensive income	185.4	(78.8)
			<i>Excluding:</i>		
			Amortisation of intangible assets	-	0.3
			Goodwill impairment	-	-
			Share based payment charge	2.9	2.3
			IFRS3 charge in respect of acquisition of subsidiary	1.2	2.5
			Return on Hard NAV	189.5	(73.7)

Notes to the consolidated financial statements continued

29. Alternative Performance Measures ("APM") continued

APM	Reference for reconciliation	Definition and purpose	Calculation	
			2020 £m	2019 £m
Net portfolio gains/(losses)	note 13	Net portfolio gains are defined as the movement in the value of holdings in the portfolio due to share price movements or impairments in value, gains or losses on realisation of investments and gains or losses on disposals of subsidiaries. The measure shows a summary of the income statement gains and losses which are directly attributable to the portfolio, which is a headline measure for the Group's performance. This is a key driver of the Return on Hard NAV which is a performance metric for directors' and employees' incentives.	Change in fair value of equity and debt investments Gain on disposal of equity investments Gain on disposal of subsidiary Net portfolio gains/(losses)	148.9 82.5 - (70.6)
Net (realisations)/investment	Portfolio review	Net realisations is defined as the net amount realised/invested from/into the portfolio. It is calculated by taking the net amount of the purchases of equity and debt investments, less the proceeds from the sale of equity and debt investments. The measure is used as a KPI for the relative generation or use of cash by the portfolio.	Purchase of equity and debt investments Proceeds from sale of equity and debt investments Net realisations/(investment)	(67.5) 191.0 123.5 (64.7)
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 and is used as a performance metric in the Group's Annual Incentive Scheme. Core overheads exclude items such as share-based payments, amortisation of intangibles and consolidated portfolio company costs.	Other income Other administrative expenses <i>Excluding:</i> Administrative expenses – consolidated portfolio companies IFRS3 charge in respect of acquisition of subsidiary Net overheads	6.2 (29.4) 0.4 1.2 (22.6)
Cash and deposits	Primary statements	Cash is defined as cash and cash equivalents plus deposits. The measures gives a view of the Group's liquid resources on a short-term timeframe. The Group's Treasury Policy has a maximum maturity limit of 13 months for deposits.	Cash and cash equivalents Deposits Cash	127.6 142.7 270.3 121.9 73.0 194.9

30. Post balance sheet events

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

*GBP equivalent using 1.37 USD/GBP

Company balance sheet

As at 31 December 2020

	Note	2020 £m	2019 £m
ASSETS			
Non-current assets			
Investment in subsidiary undertakings	3	326.6	331.6
Equity and debt investments	4	0.8	0.8
Other investments	5	2.1	2.0
Current assets			
Debtors: amounts falling due within one year			
Trade and other receivables		0.3	-
Loans to subsidiary undertakings	6	619.4	627.9
Total assets		949.2	962.3
EQUITY AND LIABILITIES			
Capital and reserves			
Called up share capital	7	21.3	21.2
Share premium account	7	101.9	100.0
Retained earnings	7	807.5	814.2
Total equity		930.7	935.4
Current liabilities			
Trade and other payables		0.3	2.6
EIB debt facility		6.2	6.3
Non-current liabilities			
EIB debt facility		12.0	18.0
Total liabilities		18.5	26.9
Total equity and liabilities		949.2	962.3

Registered number: 4204490

The accompanying notes form an integral part of the financial statements. The financial statements on pages 186 to 187 were approved by the Board of Directors and authorised for issue on 9 March 2021 and were signed on its behalf by:



Alan Aubrey
Chief Executive Officer



Greg Smith
Chief Financial Officer

Company statement of changes in equity

As at 31 December 2020

	Attributable to equity holders of the parent				
	Share capital £m	Share premium ⁽ⁱ⁾ £m	Merger reserve ⁽ⁱⁱ⁾ £m	Retained earnings ⁽ⁱⁱⁱ⁾ £m	Total £m
At 1 January 2019	21.2	684.7	372.6	(63.7)	1,014.8
Comprehensive income	-	-	-	(79.4)	(79.4)
Capital reduction	-	(584.7)	(372.6)	957.3	-
At 1 January 2020	21.2	100.0	-	814.2	935.4
Comprehensive income	-	-	-	(20.1)	(20.1)
Issue of shares	0.1	1.9	-	-	2.0
Equity-settled share-based payments ^(iv)	-	-	-	13.4	13.4
At 31 December 2020	21.3	101.9	-	807.5	930.7

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

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

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

^(iv) Equity-settled share-based payments – the credit in respect of 2020 is £2.9m and the credit in respect of prior years is £10.5m, this is not considered material.

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 International Accounting Standards in conformity with the requirements of the Companies Act 2006 ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

Under section s408 of the Companies Act 2006 the company is exempt from the requirement to present its own profit and loss account.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures: a cash flow statement and related notes; disclosures in respect of transactions with wholly owned subsidiaries; disclosures in respect of capital management; the effects of new but not yet effective IFRSs; and disclosures of compensation of key management personnel.

As the consolidated financial statements include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures: IFRS 2 Share Based Payments in respect of group settled share-based payments; and certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Subsidiary investments

Investments in subsidiaries are stated at cost less, where appropriate, provision for impairment. The Company tests the investment balances for impairment annually or whenever there is an indication that the value of carrying amount may not be recoverable.

Equity and debt Investments

Investments are held at fair value through profit and loss vision for impairment in value and are held for long-term investment purposes.

The valuation methods applied are the same as those at the Group level; details of which can be found in note 1 to the Group's financial accounts on pages 155 to 157.

Intercompany loans

All intercompany loans are initially recognised at fair value and subsequently measured at amortised cost. Where intercompany loans are intended for use on a continuing basis in the Company's activities, and there is no intention of their settlement in the foreseeable future, they are presented as fixed assets.

Financial instruments

Currently the Company does not enter into derivative financial instruments. Financial assets and financial liabilities are recognised and cease to be recognised on the basis of when the related titles pass to or from the Company.

Share-based payments

The Group operates a number of equity-settled share based compensation schemes under which the employing subsidiary within the Group receives services from employees as consideration for equity instruments in IP Group plc. For further details on these schemes, see note 22 in the Group accounts. When options are exercised, the company issues new shares. The proceeds received net of any directly attributable costs are credited to share capital (nominal value) and the balance to share premium. In the company financial statements, the grant of share options is treated as a capital contribution. Specifically, the fair value of employee services received (measured at the date of grant) is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity financial statements.

2. Significant accounting estimates

(i) Valuation of subsidiary investments

The Company tests the investment balances for impairment annually or whenever there is an indication that the value of carrying amount may not be recoverable. In light of the fact that the majority of the assets in the Company's subsidiaries are recorded at fair value, subsidiary net assets are taken as an approximation of their minimum recoverable amount. If the carrying value of an investment in a subsidiary is in excess of the minimum recoverable amount, the value of the investment is impaired.

3. Investments in subsidiary undertakings

	£m
At 1 January 2020	331.6
Share-based payments	13.4
Restructure of subsidiary undertakings in the year	(18.4)
At 31 December 2020	326.6

The restructure of investments in subsidiary undertakings relates to a planned restructure of the Group's subsidiaries as part of a Group simplification exercise, which resulted in a reduction in the carrying amount of investments in subsidiary undertakings for the Company.

Details of the Company's subsidiary undertakings as at 31 December 2020 are detailed in note 10 to the Company financial statements.

4. Equity and debt investments

	£m
At 1 January 2020	0.8
Fair value gains in the year	0.1
Disposals in the year	(0.1)
At 31 December 2020	0.8

Details of the Company's associated undertakings and significant holdings as at 31 December 2020 are disclosed in note 10 to the Company financial statements.

5. Other investments

	£m
At 1 January 2020	2.0
Fair value gain during the year	0.1
At 31 December 2020	2.1

Other investments relate to the Group's 17.7% partnership interest in Teknikos LLP, see note 1 of the Group accounts for further details.

6. Loans to subsidiary undertakings

	£m
At 1 January 2020	627.9
Repayment of loans by subsidiary undertakings during the year	(8.5)
At 31 December 2020	619.4

The amounts due from subsidiary undertakings are interest free, repayable on demand and unsecured. These loans 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 under £0.1m and therefore not disclosed further (2019: less than £0.1m).

Notes to the company financial statements continued

7. Share capital and reserves

	Share capital £m	Share premium £m	Merger reserve £m	Profit and loss reserve £m
At 1 January 2020	21.2	100.0	-	814.2
Loss for the year	-	-	-	(20.1)
Issue of shares	0.1	1.9	-	-
Equity-settled share-based payments	-	-	-	13.4
At 31 December 2020	21.3	101.9	-	807.5

Details of the Company's authorised share capital and changes in its issued share capital can be found in note 20 to the consolidated financial statements. Details of the movement in the share premium account can be found in the consolidated statement of changes in equity.

8. Profit and loss account

As permitted by Section 408 of the Companies Act 2006, the Company's profit and loss account has not been included in these financial statements. The Company's loss for the year was £20.1m (2019: £79.4m) mainly due to the charge arising from the restructure of subsidiary undertakings described in note 3.

Details of the auditor's remuneration are disclosed in note 6 to the consolidated financial statements.

9. Directors' emoluments, employee information and share-based payments

The remuneration of the directors is borne by Group subsidiary undertakings. Full details of their remuneration can be found in the Directors' Remuneration Report on pages 107 to 122

Full details of the share-based payments charge and related disclosures can be found in note 22 to the consolidated financial statements.

The Company had no employees during 2020 or 2019.

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
IP Group Inc.	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 (GP) Limited ⁽ⁱⁱⁱ⁾	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
IP2IPO ANZ Carry Limited ⁽ⁱⁱ⁾	100.0	100.0	100.0	Indirect
Transition Ventures Limited ⁽ⁱⁱ⁾	100.0	100.0	100.0	Indirect
IP2IPO Australia Pty Limited	100.0	100.0	100.0	Indirect
IP2IPO Australia HP Pty Limited	100.0	100.0	100.0	Indirect
IP2IPO Australia Management Pty Limited	100.0	100.0	100.0	Indirect

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
IP Assist Services Limited	100.0	100.0	100.0	Direct
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
IP2IPO Innovations 1 LLP	100.0	100.0	100.0	Indirect
IPG USA (LP) Limited	100.0	100.0	100.0	Indirect
IP Group Holdco Inc	100.0	100.0	100.0	Indirect
IPG USA (GP) LLC	100.0	100.0	100.0	Indirect
IPG USA Plan LLC	100.0	100.0	100.0	Indirect
IPG Cayman LP	80.7	80.7	80.7	Indirect
IP University Holdings LLC	100.0	100.0	100.0	Indirect
Fed Impact LLC	100.0	100.0	100.0	Indirect
IPG USA SCO LP	100.0	100.0	100.0	Indirect
IP2IPO Nominees Limited ^(iv)	100.0	100.0	100.0	Direct
IP2IPO Services Limited ^(iv)	100.0	100.0	100.0	Direct
LifeUK (IP2IPO) Limited ^(iv)	100.0	100.0	100.0	Direct
IP Industry Partners Limited ^(iv)	100.0	100.0	100.0	Direct
Union Life Sciences Limited – Ordinary shares	95.0	95.0	95.0	Indirect
Union Life Sciences Limited – Preference shares ^(iv)	100.0	100.0	100.0	Direct
Union Life Sciences Limited – Total	95.0	95.0	99.9	Indirect
Biofusion Licensing (Sheffield) Limited ^{(iv),(vi)}	100.0	100.0	100.0	Indirect
Fusion IP Nottingham Limited ^{(iv),(vi)}	100.0	100.0	100.0	Indirect
Fusion IP Two Limited ^{(iv),(vi)}	100.0	100.0	100.0	Indirect
Asterion Limited	66.8	66.8	66.5	Indirect
PH Therapeutics Limited ^(iv)	60.0	60.0	60.0	Indirect
Extraject Technologies Limited ^(iv)	60.0	60.0	60.0	Indirect
Stratium Limited	52.9	52.9	52.9	Indirect
IP Venture Fund II L.P. ^(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/limited liability partnership 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 L.P. means the Group fulfils the control criteria set out in IFRS 10 and the fund is thus consolidated.

^(vi) Not consolidated due to immateriality.

Notes to the company financial statements continued

10. Details of subsidiary undertakings continued

All companies above have their registered offices at The Walbrook Building, 25 Walbrook, London, EC4N 8AF unless separately listed.

IP Group Inc: 1105 North Market Street, Suite 1800, Wilmington, DE 19801, USA.

IP Ventures (Scotland) Limited: 50 Lothian Road, Festival Square, Edinburgh, EH3 9WJ.

IP Assist Services Limited: Nexus, Discovery Way, Leeds, West Yorkshire, LS2 3AA.

Asterion Limited: Nexus, Discovery Way, Leeds, West Yorkshire, LS2 3AA.

PH Therapeutics Limited: Discovery Way, Leeds, West Yorkshire, LS2 3AA.

Extraject Technologies Limited: Discovery Way, Leeds, West Yorkshire, LS2 3AA.

Stratium Limited: C/O Uhy Hacker Young Lanyon House, Mission Court, Newport, NP20 2DW.

Parkwalk Advisors Ltd: Warwick House, 25 Buckingham Palace Road, London, SW1W 0PP.

IP2IPO Australia Pty Limited: Level 35, 360 Elizabeth Street, Melbourne, VIC 3000, Australia.

IP Group Greater China Limited: 6/F Alexandra House, 18 Chater Road, Central Hong Kong.

IP2IPO Australia HP Pty Limited: Level 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.

IP Group Holdco Inc: Corporation Trust Center, 1209 Orange street, New Castle, DE 19801, USA.

IPG USA (GP) LLC: Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

IPG USA Plan LLC: Corporation Trust Center, 1209 Orange street, New Castle, DE 19801, USA.

IPG Cayman LP: Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

IP University Holdings LLC: Corporation Trust Center, 1209 Orange street, New Castle, DE 19801, USA.

Fed Impact LLC: 251 Little Falls Drive, Wilmington, New Castle, DE 19808, USA.

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, IP Group Holdco Inc, IPG USA Plan LLC, IP University Holdings LLC and Fed Impact LLC which were incorporated in Delaware, USA, IPG USA (GP) LLC and IPG Cayman LP which were incorporated in the Cayman Islands, IP2IPO Australia Pty Limited, IP2IPO Australia HP Pty Limited, IP2IPO Australia Management Pty Limited, IP2IPO Australia GP Pty Limited, IP2IPO Australia CT Pty Limited, IP2IPO Australia VCMP LP and IP2IPO Australia VCLP No 1 LP which were incorporated in Australia and IP Group Greater China Limited incorporated in Hong Kong.

All companies above undertake the activity of commercialising intellectual property unless stated otherwise. All companies are consolidated into the Group's financial performance and position following the acquisition method bar those specified which are omitted due being immaterial.

11. Details of significant holdings and associated undertakings

Name of undertaking	Registered address	Proportion of nominal value held % ⁽¹⁾	Held by Parent/Group
Accelercomm Limited:	2 Venture Road, Southampton Science Park, Chilworth, Southampton, SO16 7NP	32.9%	Group
A ordinary shares		30.9%	Group
Ordinary shares		35.4%	Group
Actual Experience plc	Quay House, The Ambury, Bath, Somerset, England, BA1 1UA	21.2%	Group
Alesi Surgical Limited:	Cardiff Medicentre, Heath Park, Cardiff, CF14 4UJ	28.7%	Group
B shares		100.0%	Group
Ordinary shares		57.0%	Group
Preferred B shares		9.7%	Group
Preferred ordinary shares		40.3%	Group
Amaethon Limited:	Heslington Hall, Heslington, York, North Yorkshire, YO10 5DD	27.6%	Group
A ordinary shares		52.9%	Group
B ordinary shares		27.6%	Group
Ordinary shares		0.0%	Group
Anacail Limited:	First Floor, South Suite, Telford Pavilion West Of Scotland Science Park, Maryhill Road, Glasgow, Scotland, G20 0XA	39.7%	Group
A shares		40.7%	Group
Ordinary shares		38.8%	Group
AnywhereHPLC Limited	52 Princes Gate, Exhibition Road, London, SW7 2PG	50.0%	Group
Apcintex Limited:	C/o Medicxi, 25 Great Pulteney Street, London, England, W1F 9LT	27.5%	Group
A preference shares		47.5%	Group
B preference shares		11.0%	Group
B ordinary shares		0.0%	Group
Ordinary shares		0.0%	Group
Aperio Pharma Limited	The Walbrook Building, 25 Walbrook, London, England, EC4N 8AF	46.1%	Group
Aptatek Biosciences, Inc.	Corporation Trust Centre, 1209 Orange Street, Wilmington, New Castle, DE 19801	40.1%	Group
Aqdot Limited:	Lab 1 Iconix 2 Iconix Park, London Road, Cambridge, CB22 3EG	45.6%	Group
EIS shares		0.0%	Group
Ordinary shares		0.0%	Group
Preferred shares		79.7%	Group
Arkivum Limited	The Walbrook Building, 25 Walbrook, London, EC4N 8AF	33.5%	Group
Ordinary Shares		35.1%	Group
A Ordinary Shares		36.0%	Group
Art of Xen Limited:	NHS Liaison Unit, 4th Floor, Mckenzie House, 30-36 Newport Road, Cardiff, CF24 0DE	83.5%	Group
A preference shares		100.0%	Group
B preference shares		100.0%	Group
Atazoa Limited	Skempton Building, Imperial College Room 205, Skempton Building, Imperial College, London, London, SW7 2AZ	24.9%	Group
AudioScenic Limited	Suite A, Epsilon House Enterprise Road, Southampton Science Park, Southampton, England, SO16 7NS	33.2%	Group
Ordinary Shares		38.5%	Group
A Ordinary Shares		33.1%	Group

Notes to the company financial statements continued

Name of undertaking	Registered address	Proportion of nominal value held % ⁽¹⁾	Held by Parent/Group
Autifony Therapeutics Limited:	Stevenage Bioscience Catalyst, Gunnels Wood Road, Stevenage, Hertfordshire, England, SG1 2FX	27.6%	Group
Ordinary shares		2.9%	Group
A preference shares		38.4%	Group
A2 preference shares		0.0%	Group
A3 preference shares		35.5%	Group
Azuri Technologies Limited:	St. John's Innovation Centre, Cowley Road, Cambridge, CB4 0WS	26.3%	Group
A preference shares		23.0%	Group
Ordinary Shares		37.4%	Group
Boxarr Limited	65 London Road, St. Albans, Hertfordshire, AL1 1LJ	45.4%	Group
Bramble Energy Limited	52 Princes Gate, Exhibition Road, London, SW7 2PG	31.6%	Group
Ordinary Shares		32.9%	Group
A Ordinary Shares		30.9%	Group
Cagen Limited	52 Princes Gate, Exhibition Road, London, SW7 2PG	45.0%	Group
Cardian Limited:	30 Broad Street Broad Street, Great Cambourne, Cambridge, England, CB23 6HJ	53.7%	Group
A preferred shares		100.0%	Group
Ordinary shares		13.6%	Group
Cardiovascular Imaging Solutions Limited	Suite 19 Maple Court, Grove Park, Maidenhead, Berkshire, England, SL6 3LW	24.9%	Group
C-Capture Limited:	Leeds Innovation Centre, 103 Clarendon Road, Leeds, LS2 9DF	36.9%	Group
A preference shares		37%	Group
A preference (NV) shares		100.0%	Group
Ordinary shares		36.3%	Group
Celltron Networks Limited	Leeds Innovation Centre, 103 Clarendon Road, Leeds, LS2 9DF	30.0%	Group
Ceryx Medical Limited	4th Floor, 14, Museum Place, Cardiff, Wales, CF10 3BH	20.6%	Group
Ordinary Shares		12.1%	Group
A Ordinary Shares		26.8%	Group
Chip Diagnostics, Inc.	251 Little Falls Drive, Wilmington, New Castle, DE, 19808	47.0%	Group
Chromosol Limited	The Walbrook Building 25 Walbrook, London, EC4N 8AF	34.6%	Group
Clarity Vision Technologies, Inc.	1 Righter Parkway, Wilmington, Delaware, DE 19803	51.2%	Group
Convincis Limited	52 Princes Gate, London, SW7 2PG	39.9%	Group
Creavo Medical Technologies Limited:	Leeds Innovation Centre, 103 Clarendon Road, Leeds, LS2 9DF	37.8%	Group
A shares		100.0%	Group
Ordinary shares		38.2%	Group
Z shares		0.0%	Group
Crysalin Limited:	The Walbrook Building, 25 Walbrook, London, EC4N 8AF	28.5%	Group
A shares		0.0%	Group
B shares		0.0%	Group
C shares		0.0%	Group
D shares		0.0%	Group
Ordinary shares		30.6%	Group
Cynash, Inc.	251 Little Falls Drive, Wilmington, New Castle, DE, 19808	75.6%	Group
Deep Matter Group plc:	The Walbrook Building, 25 Walbrook, London, England, EC4N 8AF	22.2%	Group
OAS ordinary shares		0.0%	Group
Ordinary shares		22.2%	Group

Name of undertaking	Registered address	Proportion of nominal value held % ⁽¹⁾	Held by Parent/Group
Defenition Limited:	Leeds Innovation Centre, 103 Clarendon Road, Leeds, LS2 9DF	49.5%	Group
B ordinary shares		100.0%	Group
Ordinary shares		48.5%	Group
Diurnal Group plc	Cardiff Medicentre, Heath Park, Cardiff, CF14 4UJ	31.9%	Group
Econic Technologies Limited:	Block 19s Alderley Park, Macclesfield, Cheshire, England, SK10 4TG	47.9%	Group
A ordinary shares		86.3%	Group
A preference shares		41.2%	Group
B preference shares		50.0%	Group
C preference shares		42.9%	Group
Ordinary shares		8.9%	Group
Edgetic Limited:	Leeds Innovation Centre, 103 Clarendon Road, Leeds, LS2 9DF	49.0%	Group
Ordinary shares		55.8%	Group
B ordinary shares		100.0%	Group
Emdot Limited	The Walbrook Building, 25 Walbrook, London, England, EC4N 8AF	26.3%	Group
Enachip, Inc.	PHS Corporate Services, Inc., 1313 N Market Street, STE, 5100, Wilmington, New Castle, DE, 19801	46.7%	Group
Enterprise Therapeutics Holdings Limited:	Sussex Innovation Centre Science Park Square, Falmer, Brighton, England, BN1 9SB	21.7%	Group
Ordinary shares		0.0%	Group
Series A shares		47.6%	Group
Series B shares		16.4%	Group
Exyn Technologies, Inc.	203 NE Front Street STE 101, Milford, Kent, DE, 19963	44.8%	Group
Common Stock		46.6%	Group
Series A3 Preferred Stock		32.7%	Group
Series A4 Preferred Stock		21.4%	Group
FaultCurrent Limited:	The Maltings East Tyndall Street, Cardiff Bay, Cardiff, CF24 5EZ	35.7%	Group
A shares		35.8%	Group
Ordinary shares		35.7%	Group
First Light Fusion Limited:	Unit 10 Mead Road, Yarnton, Kidlington, Oxfordshire, OX5 1QU	32.0%	Group
Ordinary shares		33.1%	Group
A ordinary shares		0.0%	Group
Fluid Pharma Limited:	Leeds Innovation Centre, 103 Clarendon Road, Leeds, LS2 9DF	40.3%	Group
Ordinary shares		39.6%	Group
B ordinary shares		87.1%	Group
Garrison Technology Limited:	117 Waterloo Road, London, England, SE1 8UL	23.4%	Group
A preference shares		94.9%	Group
A1 preference shares		25.0%	Group
A2 preference shares		32.9%	Group
B preference shares		14.0%	Group
Ordinary shares		0.0%	Group
Helio Display Materials Limited	The Walbrook Building, 25 Walbrook, London, EC4N 8AF	21.2%	Group
I2L Research Limited:	Capital Business Park, Wentloog, Cardiff, CF3 2PX	31.0%	Group
A ordinary shares		84.0%	Group
B ordinary shares		13.3%	Group
Ordinary shares		0.0%	Group
Ibex Innovations Limited	Explorer 2 - Netpark Thomas Wright Way, Sedgfield, Stockton-on-Tees, TS21 3FF	39.1%	Group

Notes to the company financial statements continued

Name of undertaking	Registered address	Proportion of nominal value held % ⁽¹⁾	Held by Parent/Group
Ieso Digital Health Limited:	The Stable Block The Grange, 20 Market Street, Swavesey, Cambridge, CB24 4QG	46.2%	Group
A preference shares		46.9%	Group
A ordinary shares		85.1%	Group
B ordinary shares		0.0%	Group
Ordinary shares		18.0%	Group
Iksuda Therapeutics Limited:	The Biosphere, Draymans Way, Newcastle Helix, Newcastle upon Tyne, NE4 5BX	32.2%	Group
A Ordinary shares		50.0%	Group
Ordinary shares		23.1%	Group
Inivata Limited:	The Portway Granta Park, Great Abington, Cambridge, CB21 6GS	21.4%	Group
A preference shares		37.5%	Group
Ordinary shares		0.0%	Group
Series A shares		31.7%	Group
Series B shares		26.0%	Group
Innervace, Inc.:	University of Pennsylvania, Philadelphia, PA 19104, United States	26.7%	Group
Instrumems, Inc.:	Corporation Trust Centre, 1209 Orange Street, Wilmington, New Castle, DE 19801	51.3%	Group
Common Stock		43.4%	Group
Series Seed Preferred Stock		67.0%	Group
Intelligent Ultrasound Group plc:	Floor 6A, Hodge House, 114-116 St Mary Street, Cardiff, CF10 1DY	21.1%	Group
A Shares		0.0%	Group
Ordinary Shares		21.1%	Group
Intrinsic Semiconductor Technologies Limited	Ucl Business Plc, The Network Building, 97 Tottenham Court Road, London, United Kingdom, W1T 4TP	43.4%	Group
Ionix Advanced Technologies Limited	Windsor House, Cornwall Road, Harrogate, England, HG1 2PW	29.2%	Group
B Ordinary Shares		100.0%	
Ordinary Shares		29.1%	
Ipalk SAS	112 rue des hautes variennes, 45200, Amilly France	23.5%	Group
IR Pharma Limited	1st Floor Sir Alexander Fleming Building, Imperial College London Exhibition Road, London, SW7 2AZ	28.0%	Group
Istesso Limited:	The Walbrook Building, 25 Walbrook, London, EC4N 8AF	44.9%	Parent
A shares		75.6%	Parent
Ordinary shares		42.7%	Parent
Judo Security, Inc.	2508 Lorentz Plane North, Seattle, WA 98108, United States	54.9%	Group
Lixea Limited:	The Walbrook Building, 25 Walbrook, London, England, EC4N 8AF	33.3%	Group
Lorem Pharmaceuticals, Inc.	Renaissance Centre, 405 North King Street, Suite 500, Wilmington, New Castle, DE, 19801	34.5%	Group
Lumiode, Inc.	Corporation Trust Centre, 1209 Orange Street, Wilmington, New Castle, DE 19801	39.5%	Group
Common Stock		49.7%	Group
Series A Shares		27.1%	Group
Magnomatics Limited:	Park House, Bernard Road, Sheffield, S2 5BQ	37.8%	Group
A shares		52.1%	Group
B shares		100.0%	Group
C shares		100.0%	Group
Ordinary shares		15.3%	Group
Metabometrix Limited	10 Fern Hill, Dersingham, King's Lynn, Norfolk, England, PE31 6HT	23.0%	Group

Name of undertaking	Registered address	Proportion of nominal value held % ⁽¹⁾	Held by Parent/Group
Microbiotica Limited:	Biodata Innovation Centre Wellcome Genome Campus, Hinxton, Cambridge, Cambridgeshire, CB10 1DR	27.4%	Group
Seed shares		39.8%	Group
Ordinary shares		0.0%	Group
Mixergy Limited	30 Upper High Street, Thame, Oxfordshire, OX9 3EZ	27.4%	Group
Ordinary Shares		27.9%	Group
A Ordinary Shares		21.1%	Group
MOBILion Systems, Inc.	4 Hillman Drive, Suite 130, Chadds Ford, PA 19317	38.7%	Group
A preferred stock		38.9%	Group
Common stock		100.0%	Group
Series B Preferred Stock		16.0%	
Nascent Limited:	30 Broad Street, Great Cambourne, Cambridge, Cambridgeshire, CB23 6HJ	73.2%	Group
A shares		0%	Group
Ordinary shares		50.0%	Group
Preferred shares		100.0%	Group
NGenics Global Limited	The Catalyst Baird Lane, Heslington, York, North Yorkshire, YO10 5GA	29.6%	Group
Optimeos Life Sciences, Inc	251 Little Falls Drive, Wilmington, Delaware, 19808	41.8%	Group
Oxehealth Limited	Sadler Building Heatley Road, Oxford Science Park, Oxford, Oxfordshire, OX4 4GE	34.6%	Group
Oxford Biotrans Limited:	30 Upper High Street, Thame, Oxfordshire, OX9 3EZ	42.3%	Group
Ordinary shares		13.7%	Group
Seed preferred shares		70.4%	Group
OxSyBio Limited:	The Walbrook Building, 25 Walbrook, London, C4N 8AF	43.9%	Group
A shares		100.0%	Group
Ordinary shares		45.8%	Group
Preference shares		40.0%	Group
Oxular Limited:	Magdalen Centre, Robert Robinson Avenue, Oxford, OX4 4GA	33.3%	Group
A preferred shares		56.2%	Group
Ordinary shares		0.0%	Group
Perachem Holdings Plc	C/O Valentine & Co 1st Floor Galler House, Moon Lane, Barnet, EN5 5YL	46.2%	Group
Perlemax Limited	The Sheffield Bioincubator, 40 Leavy Greave Road, Sheffield, S3 7RD	34.5%	Group
Perpetuum Limited:	2 Venture, Southampton Science Park, Chilworth, Southampton, SO16 7NP	22.0%	Group
Ordinary shares		33.1%	Group
Series B shares		13.4%	Group
Series C shares		30.4%	Group
Series C1 shares		0.0%	Group
Preference shares		0.0%	Group
Ph Therapeutics Limited	The Innovation Centre, 217 Portobello, Sheffield, S1 4DP	60.0%	Group
Quantima Limited	Leeds Innovation Centre, 103 Clarendon Road, Leeds, West Yorkshire, United Kingdom, LS2 9DF	42.9%	Group
Reinifer Limited:	Mindspace Whitechapel, 114 Whitechapel High Street, London, E1 7PT	23.0%	Group
Seed Preference shares		71.9%	Group
Ordinary shares		0.0%	Group

Notes to the company financial statements continued

Name of undertaking	Registered address	Proportion of nominal value held % ⁽¹⁾	Held by Parent/Group
RFC Power Limited:	Windsor House, Cornwall Road, Harrogate, England, HG1 2PW	28.4%	Group
Ordinary Shares		24.6%	Group
T Ordinary Shares		100.0%	Group
Riotech Pharmaceuticals Limited	49 Arrivato Plaza, Hall Street, St Helens, United Kingdom, WA10 1GH	24.9%	Group
Silicon Microgravity Limited:	Clarendon House, Clarendon Road, Cambridge, CB2 8FH	27.7%	Group
B Preference shares		47.2%	Group
Seed Preferred shares		71.9%	Group
SkyStrata, Inc.		28.8%	Group
Spinetic Energy Limited	The Old Post Office, 41-43 Market Place, Chippenham, Wiltshire, England, SN15 3HR	29.6%	Group
Stratium Limited	15th Floor Brunel House, 2 Fitzalan Road, Cardiff, CF24 0EB	57.1%	Group
Surrey NanoSystems Limited:	The Walbrook Building, 25 Walbrook, London, England, EC4N 8AF	21.1%	Group
A Ordinary shares		17.4%	Group
A2 Ordinary shares		9.1%	Group
Ordinary shares		32.2%	Group
Sweetgen Limited	52 Princes Gate, Exhibition Road, London, England, SW7 2PG	50.0%	Group
Telectica Limited:	49 Burnham Road, St. Albans, Hertfordshire, AL1 4QN	26.4%	Group
Ordinary shares		0.0%	Group
A Ordinary shares		0.0%	Group
Seed Preferred shares		90.5%	Group
Therapeutic Frontiers Limited	Gowran House, 56 Broad Street, Chipping Sodbury, Bristol, BS37 6AG	25.8%	Group
Topivert Limited:	265 Strand, London, WC2R 1BH	28.7%	Group
A Ordinary shares		37.8%	Group
A Preference shares		0.0%	Group
B1 Preferred shares		34.0%	Group
B2 Preferred shares		37.1%	Group
Ordinary shares		1.8%	Group
TriboSim Limited	49 Station Road Tribosim Ltd, Polegate, East Sussex, England, BN26 6EA	22.5%	Group
Tunoptix, Inc.	2508 Lorentz PI North, Seattle, WA 98109, United States	57.8%	Group
Ubiquigent Limited	Dundee University Incubator Dundee Technopole, James Lindsay Place, Dundee, DD1 5JJ	39.3%	Group
Ultraleap Holdings Ltd:	The West Wing, Glass Wharf, Bristol, BS2 0EL	27.6%	Group
B Ordinary shares		0.0%	Group
Ordinary shares		44.7%	Group
C Preference shares		1.8%	Group
Preference shares		28.0%	Group

Name of undertaking	Registered address	Proportion of nominal value held % ⁽¹⁾	Held by Parent/Group
UMIP Project 003 Limited	PO Box 4385, 09150911: COMPANIES HOUSE DEFAULT ADDRESS, Cardiff, CF14 8LH	33.3%	Group
Uniformity Labs, Inc.	41400 Christy Street, Fremont, CA 94538, USA	29.2%	Group
Common Stock		25.8%	Group
Series B Preferred Shares		51.0%	Group
Uniphy Limited	Leeds Innovation Centre, 103 Clarendon Road, Leeds, LS2 9DF	39.0%	Group
A shares		16.0%	Group
Ordinary shares		39.1%	Group
Zeetta Networks Limited	The Walbrook Building, 25 Walbrook, London, United Kingdom, EC4N 8AF	26.6%	Group
Ordinary shares		12.3%	Group
Preference shares		33.9%	Group
Zihipp Limited	Da Vinci House, Basing View, Basingstoke, Hampshire, RG21 4EQ	30.9%	Group
Zoompast Limited	Office 7, 35-37 Ludgate Hill, London, EC4M 7JN	31.3%	Group

⁽¹⁾ All holdings are via Ordinary Shares unless separate classes are specified in the table.

⁽²⁾ A fund in which the Group is a limited partner. Proportion of nominal value stated is equivalent to capital contributed to the partnership in question.

All companies above are incorporated in the United Kingdom with the exception of Aptatek Biosciences, Inc., Chip Diagnostics, Inc., Clarity Vision Technologies, Inc., Cynash, Inc., Enachip, Inc., Exyn Technologies, Inc., Innervace, Inc., Instrumems, Inc., Judo Security, Inc., Lorem Pharmaceuticals, Inc., Lumiode, Inc., MOBILion Systems, Inc., Optimeos Life Sciences, Inc., SkyStrata, Inc., Tunoptix, Inc. and Uniformity Labs, Inc. which were incorporated in Delaware, USA, Ipalk SAS which was incorporated in France. 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.

Shareholder notes

Company information

Company registration number

04204490

Registered office

The Walbrook Building
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Directors

Sir Douglas Jardine Flint

(Non-executive Chairman)

Alan John Aubrey

(Chief Executive Officer)

Michael Charles Nettleton Townend

(Chief Investment Officer)

Gregory Simon Smith

(Chief Financial Officer)

David Graham Baynes

(Chief Operating Officer)

Jonathan Brooks

(Non-executive Director)
(resigned from the Board on 10 March 2020)

Dr Caroline Anne Brown

(Non-executive Director)

Heejae Richard Chae

(Non-executive Director)

Aedhmar Hynes

(Non-executive Director)

Dr Elaine Sullivan

(Non-executive Director)

Professor David Knox Houston Begg

(Senior Independent Director)

Company secretary

Angela Leach

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