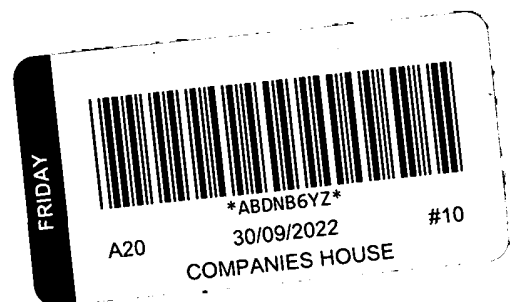


**REGISTERED NUMBER: OC333709 (England and Wales)**

**Report of the Members and  
Financial Statements for the Year Ended 31 December 2021  
for  
Touchstone Innovations Businesses LLP**



**Contents of the Financial Statements  
for the Year Ended 31 December 2021**

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**Touchstone Innovations Businesses LLP**

**General Information  
for the Year Ended 31 December 2021**

**DESIGNATED MEMBERS:** IP2IPO Innovations Limited  
Touchstone Innovations Limited

**REGISTERED OFFICE:** 2nd Floor  
3 Pancras Square  
Kings Cross  
London  
N1C 4AG

**REGISTERED NUMBER:** OC333709 (England and Wales)

**AUDITORS:** KPMG LLP, Statutory Auditor  
Chartered Accountants  
15 Canada Square  
London  
E14 5GL

**Touchstone Innovations Businesses LLP (Registered number: OC333709)**

**Report of the Members  
for the Year Ended 31 December 2021**

The members present their report with the financial statements of the LLP for the year ended 31 December 2021.

**EVENTS SINCE THE END OF THE YEAR**

Information relating to events since the end of the year is given in the notes to the financial statements.

**DESIGNATED MEMBERS**

The designated members during the year under review were:

IP2IPO Innovations Limited  
Touchstone Innovations Limited

The designated members carry out the administrative and legal duties of the LLP.

**RESULTS FOR THE YEAR AND ALLOCATION TO MEMBERS**

The profit for the year before members' remuneration and profit shares was £78,253,540 (2020: £1,000,988).

**MEMBERS' INTERESTS**

Members' capital is subscribed, drawn down and repaid under the terms of the Amended and Restated LLP agreement dated 20 October 2018.

Under the Amended LLP agreement, when receipts of income or realised gains in a vintage exceed the loan commitments and hurdle accrued by the Investor Member (being IP2IPO Innovations Limited), the amount of income/gains in excess of the Loan Repayment Point is treated as having been realised, and the underlying profit is allocated to Members. Further details on the LLP's carried interest plan scheme are included within Note 23 of IP Group plc's Annual Report and Accounts.

**GOING CONCERN**

The LLP had net current assets of £165,833,923 as at 31 December 2021. The directors have prepared cash flow forecasts for a period of more than 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds to meet its liabilities as they fall due for that period. Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

**PRINCIPAL RISKS AND UNCERTAINTIES**

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

The key business risks and uncertainties affecting the LLP are considered to relate to the protection of intellectual property and market risk in respect of its equity investments. The principal risks and uncertainties are integrated with the principal risks and uncertainties of the larger group and are not managed separately. Further discussion of these risks and uncertainties, in the context of the group as a whole, is provided on pages 52 to 63 of IP Group plc's 2021 annual report and financial statements which does not form part of this report.

**MARKET ENVIRONMENT**

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

There remains, of course, significant short-term uncertainty with rising inflation and interest rates as well as geopolitical concerns, greatly exacerbated by Russia's recent invasion of Ukraine, which is causing volatility in equity markets globally including a rotation out of growth companies. Increased protectionism and nationalism around funding, owning, and developing 'innovations of strategic importance' also remains a theme and there is evidence of increased competition for investment opportunities and talent. Having acted to ensure that the Group has a strong level of liquidity, IP Group remains well placed to support its portfolio companies through this period of uncertainty and is confident that appetite for growth companies will return.

**Report of the Members  
for the Year Ended 31 December 2021**

**STATEMENT OF MEMBERS' RESPONSIBILITIES**

The members are responsible for preparing the Report of the Members and the financial statements in accordance with applicable law and regulations.

Legislation applicable to limited liability partnerships requires the members to prepare financial statements for each financial year. Under that law the members have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under legislation applicable to limited liability partnerships the members 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 LLP and of the profit or loss of the LLP for that period. In preparing these financial statements, the members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the LLP will continue in business.

The members are responsible for keeping adequate accounting records that are sufficient to show and explain the LLP's transactions and disclose with reasonable accuracy at any time the financial position of the LLP and enable them to ensure that the financial statements comply with the Companies Act 2006 as applied to LLPs by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008. They are also responsible for safeguarding the assets of the LLP and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.


**STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS**

So far as the members are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the LLP's auditors are unaware, and each member has taken all the steps that he or she ought to have taken as a member in order to make himself or herself aware of any relevant audit information and to establish that the LLP's auditors are aware of that information.

**AUDITORS**

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

**ON BEHALF OF THE MEMBERS:**

  
Chris Glasson (Sep 27, 2022 20:51 GMT+1)

IP2IPO Innovations Limited - Designated member

Date Sep 27, 2022

**Report of the Independent Auditors to the Members of  
Touchstone Innovations Businesses LLP (Registered number: OC333709)**

**Opinion**

We have audited the financial statements of Touchstone Innovations Business LLP ("the LLP") for the year ended 31 December 2021 which comprise the Income Statement, Balance Sheet, Reconciliation of Members' Interests and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view, of the state of affairs of the LLP as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards including FRS 101 Reduced Disclosure Framework and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the LLP in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

**Going concern**

The members have prepared the financial statements on the going concern basis as they do not intend to liquidate the LLP or to cease its operations, and as they have concluded that the LLP's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the members' conclusions, we considered the inherent risks to the LLP's business model and analysed how those risks might affect the LLP's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the members' 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 members' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the LLP's ability to continue as a going concern for the going concern period.

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 LLP will continue in operation.

**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 members as to the LLP's policies and procedures to prevent and detect fraud as well as whether they have knowledge of any actual, suspected or alleged fraud;
- Reading the LLP's meeting minutes;
- Using analytical procedures to identify any unusual or unexpected relationships.

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 perform 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 is generated from few sources and transactions are easily verifiable to external sources or agreements with little or no requirement for estimation from management. We did not identify any additional fraud risks.

We performed procedures including identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included journals posted to revenue and cash.

**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 the members and other management (as required by auditing standards), and from inspection of the LLP's regulatory correspondence, and discussed with the members and other management the policies and procedures regarding compliance with laws and regulations.

As the LLP is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

**Report of the Independent Auditors to the Members of  
Touchstone Innovations Businesses LLP (Registered number: OC333709)**

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 LLP is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related Limited Liability Partnerships legislation) 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 LLP 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 or the loss of the LLP's regulatory permissions. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery, employment law, regulatory capital and liquidity and certain aspects of LLP legislation recognising the financial and regulated nature of the LLP's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the members and other management and inspection of regulatory 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.

**Other information**

The members are responsible for the other information, which comprises the members' report. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or 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.

**Matters on which we are required to report by exception**

Under the Companies Act 2006 as applied to limited liability partnerships we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

**Members' responsibilities**

As explained more fully in their statement set out on page 3, the members are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the LLP'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 LLP 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](http://www.frc.org.uk/auditorsresponsibilities).

**Report of the Independent Auditors to the Members of  
Touchstone Innovations Businesses LLP (Registered number: OC333709)**

**The purpose of our audit work and to whom we owe our responsibilities**

This report is made solely to the members of the LLP, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, as required by Regulation 39 of the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008. Our audit work has been undertaken so that we might state to the LLP's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the LLP and the LLP'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

Date: 29 September 2022 .....



**Touchstone Innovations Businesses LLP (Registered number: OC333709)**

**Income Statement  
for the Year Ended 31 December 2021**

	Notes	2021 £	2020 £
<b>TURNOVER</b>		-	-
Administrative expenses	4	96,712	(447,198)
Long term incentive carry scheme charge	11	<u>(2,140,424)</u>	<u>(3,814,334)</u>
		(2,043,712)	4,261,532
Profit on disposal of fixed asset investments	4	39,209,367	19,827,954
Profit on release of loan	4	13,415	-
Change in fair value of investments	7	<u>41,074,445</u>	<u>(14,569,848)</u>
<b>OPERATING PROFIT</b>		<b>78,253,515</b>	<b>996,574</b>
Interest receivable and similar income	5	25	4,414
<b>Profit for the financial year before members remuneration and profit shares</b>		<b><u>78,253,540</u></b>	<b><u>1,000,988</u></b>
Members' remuneration charged as an expense	6	(25,693,292)	-
<b>Profit for the year available for discretionary division among members</b>		<b><u>52,560,248</u></b>	<b><u>1,000,988</u></b>


The notes on pages 11 to 16 form part of these financial statements

**Touchstone Innovations Businesses LLP (Registered number: OC333709)**

**Balance Sheet  
31 December 2021**

	Notes	2021 £	2020 £
<b>FIXED ASSETS</b>			
Investments	7	228,760,786	234,452,338
<b>CURRENT ASSETS</b>			
Debtors: amounts falling due within one year	8	7,345,325	9,874,991
Debtors: amounts falling due after more than one year	8	157,702,829	96,254,054
Cash in hand		<u>1,855,171</u>	<u>222,543</u>
		166,903,325	106,351,588
<b>CREDITORS</b>			
Amounts falling due within one year	9	<u>1,069,402</u>	<u>1,096,967</u>
<b>NET CURRENT ASSETS</b>		165,833,923	105,254,621
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		394,594,709	339,706,959
<b>CREDITORS</b>			
Amounts falling due after more than one year	10	<u>21,398,213</u>	<u>19,070,711</u>
<b>NET ASSETS ATTRIBUTABLE TO MEMBERS</b>		<u>373,196,496</u>	<u>320,636,248</u>
<b>LOANS AND OTHER DEBTS DUE TO MEMBERS</b>	12	385,554,413	385,554,413
<b>MEMBERS' OTHER INTERESTS</b>			
Other reserves		<u>(12,357,917)</u>	<u>(64,918,165)</u>
		<u>373,196,496</u>	<u>320,636,248</u>
<b>TOTAL MEMBERS' INTERESTS</b>			
Loans and other debts due to members	12	385,554,413	385,554,413
Members' other interests		(12,357,917)	(64,918,165)
Amounts due from members		<u>(101,160,123)</u>	<u>(63,070,344)</u>
		<u>272,036,373</u>	<u>257,565,904</u>

The financial statements were approved by the members of the LLP on Sep 27, 2022 and were signed by:

  
Chris Glasson (Sep 27, 2022 20:51 GMT+1)

IP2IPO Innovations Limited - Designated member

**Reconciliation of Members' Interests  
for the Year Ended 31 December 2021**

	EQUITY Members' other interests		DEBT Loans and other debts due to members less any amounts due from members in debtors		TOTAL MEMBERS' INTERESTS
	Other reserves £	Members' capital (classified as debt) £	Other amounts £	Total £	Total £
Amount due to members		385,554,413	-	385,554,413	
Amount due from members		-	(63,070,344)	(63,070,344)	
Balance at 1 January 2021	(64,918,165)	385,554,413	(63,070,344)	322,484,069	257,565,904
Members' remuneration charged as an expense	-	-	25,693,292	25,693,292	25,693,292
Profit for the financial year available for discretionary division among members	52,560,248	-	-	-	52,560,248
Members' interests after profit for the year	(12,357,917)	385,554,413	(37,377,052)	348,177,361	335,819,444
Drawings on account and distribution of profit	-	-	(63,783,071)	(63,783,071)	(63,783,071)
Amount due to members		385,554,413		385,554,413	
Amount due from members	-	-	(101,160,123)	(101,160,123)	
Balance at 31 December 2021	(12,357,917)	385,554,413	(101,160,123)	284,394,290	272,036,373

**Touchstone Innovations Businesses LLP (Registered number: OC333709)**

**Reconciliation of Members' Interests  
for the Year Ended 31 December 2021**

	EQUITY		DEBT		TOTAL MEMBERS' INTERESTS
	Members' other interests		Loans and other debts due to members less any amounts due from members in debtors		
	Other reserves £	Members' capital (classified as debt) £	Other amounts £	Total £	Total £
Amount due to members		385,554,413	-	385,554,413	
Amount due from members		-	(52,124,683)	(52,124,683)	
Balance at 1 January 2020	(65,919,153)	385,554,413	(52,124,683)	333,429,730	267,510,577
Loss for the financial year available for discretionary division among members	<u>1,000,988</u>	-	-	-	<u>1,000,988</u>
Members' interests after loss for the year	(64,918,165)	385,554,413	(52,124,683)	333,429,730	268,511,565
Drawings on account	-	-	(10,945,661)	(10,945,661)	(10,945,661)
Amount due to members		385,554,413	-	385,554,413	
Amount due from members	-	-	(63,070,344)	(63,070,344)	
Balance at 31 December 2020	<u>(64,918,165)</u>	<u>385,554,413</u>	<u>(63,070,344)</u>	<u>322,484,069</u>	<u>257,565,904</u>

The notes on pages 11 to 16 form part of these financial statements

**Notes to the Financial Statements - continued  
for the Year Ended 31 December 2021**

**1. STATUTORY INFORMATION**

Touchstone Innovations Businesses LLP is registered in England and Wales. The LLP's registered number and registered office address can be found on the General Information page. The principal activity of the LLP in the year under review was that of an investment holding vehicle with investments in both start up and more established technology companies. The LLP is also the vehicle for the Touchstone Innovations plc carried interest plan for employees.

**2. ACCOUNTING POLICIES**

**Basis of preparing the financial statements**

These financial statements show the results and financial position of Touchstone Innovations Businesses LLP.

The financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') and IFRS Interpretation Committee ('IFRIC') interpretations in conformity with the requirements of the Companies Act 2006, together with those parts of the Companies Act 2006 applicable to limited liability partnerships ('LLPs') reporting under IFRS. On 31 December 2020 IFRS as adopted by the European Union was brought into the United Kingdom ('UK') law and became international accounting standards as adopted by the UK with future changes subject to endorsement by the UK Endorsement Board.

In these financial statements, the LLP has applied the exemptions available under the small LLPs regime 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 transactions with a management entity that provides key management personnel services to the LLP. The LLP has also applied the exemption from the requirements of IFRS 7 Financial Instruments: Disclosures, the equivalent disclosures are included in the IP Group plc consolidated financial statements.

**Changes in accounting policies**

**New standards, interpretations and amendments effective from 1 January 2021**

There are no amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2021 that have had a material impact on the LLP's financial statements.

**Going concern**

The LLP had net current assets of £165,833,923 as at 31 December 2021. The directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds to meet its liabilities as they fall due for that period. Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

**Related party exemption**

The LLP has taken advantage of exemption, under the terms of Financial Reporting Standard 101 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', not to disclose related party transactions with wholly owned subsidiaries within the group.

Notes to the Financial Statements - continued  
for the Year Ended 31 December 2021

2. ACCOUNTING POLICIES - continued

**Fair value hierarchy**

The LLP 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 LLP takes these different rights into account when forming a view on the value of its investment.

**Valuation techniques used**

The fair value of unlisted securities is established using appropriate valuation techniques in line with IPEV guidelines and including IPEV's special guidance issued in March 2020 in response to COVID-19. The selection of appropriate valuation techniques is considered on an individual basis in light of the nature, facts and circumstances of the investment and in the expected view of market participants. The Group selects valuation techniques which make maximum use of market-based inputs. Techniques are applied consistently from period to period, except where a change would result in better estimates of fair value. Several valuation techniques may be used so that the results of one technique may be used as a cross check/corroboration of an alternative technique

Valuation techniques used include:

- Quoted investments: the fair values of quoted investments are based on bid prices in an active market at the reporting date.
- Milestone approach: an assessment is made as to whether there is an indication of change in fair value based on a consideration of the relevant milestones typically agreed at the time of making the investment decision.
- Last funding round (per IPEV a form of price of recent investment) involving significant funds from third parties not involved in previous rounds, or where funding was not prorated to previous rounds, is considered by the designated members to provide indicator of fair value
- 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 LLP refers to the valuation basis as 'Recent Financing'.

**Price of recent investment as an input in assessing fair value**

The LLP 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 LLP'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.

**Notes to the Financial Statements - continued  
for the Year Ended 31 December 2021**

**2. ACCOUNTING POLICIES - continued**

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 LLP 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 LLP 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 LLP reduces the carrying value of the investment to reflect the estimated decrease. If there is evidence of value creation the LLP 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.

**Financial liabilities**

Current financial liabilities are composed of trade payables and other short-term monetary liabilities, which are recognised at amortized cost.

IP Group plc 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

IP Group plc 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.

**Members Drawings and Subscriptions**

Under the Amended LLP agreement dated 20 October 2018 when receipts of income or realised gains in a vintage exceed the loan commitments and hurdle accrued by the Investor Member (being IP2IPO Innovations Limited), the amount of income/gains in excess of the Loan Repayment Point is treated as having been realised, and the underlying profit is allocated to Members.

**3. AUDITORS' REMUNERATION**

	2021	2020
	£	£
Fees payable to the LLP's auditors for the audit of the LLP's financial statements	<u>27,500</u>	<u>25,000</u>

The above fee was paid by IP2IPO Limited on behalf of the LLP.

**4. PROFIT FOR THE FINANCIAL YEAR**

The profit before taxation is stated after charging:

	2021	2020
	£	£
Foreign exchange gain/(loss)	96,767	(432,521)
Gain on release of loan	13,415	-
Other administrative expenses	(56)	(14,677)
Profit on disposal of fixed asset investments	<u>39,209,367</u>	<u>19,827,954</u>

Notes to the Financial Statements - continued  
for the Year Ended 31 December 2021

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	2021	2020
	£	£
Deposit account interest	<u>25</u>	<u>4,414</u>

6. MEMBERS' REMUNERATION CHARGED AS AN EXPENSE

	2021	2020
	£	£
Members' remuneration charged as an expense	<u>(25,693,292)</u>	<u>-</u>

During 2021, the first vintage within the LLP (the P9A vintage) saw realised gains exceeding cost & hurdle by £25.7m, therefore a division of profits was made in respect of this vintage. An allocation of £22.7m was made to the Investor Member, with a further £3.0m profit allocation being made to other Members (who are participating in the Touchstone Carried Interest scheme).

Carried interest is the only remuneration paid by the LLP.

As this allocation of profits occurs automatically under the LLP, the division of profits is presented as an expense within profit and loss within the heading 'Members' remuneration charged as an expense'.

7. FIXED ASSET INVESTMENTS

	Level 1	Level 3	
	Equity investments in quoted spin-out companies	Equity investments in unquoted spin-out companies	Total
	£	£	£
At 1 January 2021	3,875,306	230,577,032	234,452,338
Investments during the year	71	3	74
Disposals	(183,516)	(46,832,640)	(47,016,156)
Reclassification	9,136,963	(9,136,963)	-
Change in revenue share	(4,456)	254,541	250,085
Fair value movements	<u>(2,785,805)</u>	<u>43,860,250</u>	<u>41,074,445</u>
At 31 December 2021	<u>10,038,563</u>	<u>218,722,223</u>	<u>228,760,786</u>



Notes to the Financial Statements - continued  
for the Year Ended 31 December 2021

7. FIXED ASSET INVESTMENTS (continued)

Significant equity investments

At 31 December 2021, the LLP has investments where it holds 20% or more of the issued share capital in the following companies:

Name of undertaking	Registered address	Proportion of nominal value held % <sup>(i)</sup>
AnywhereHPLC Limited	52 Princes Gate, Exhibition Road, London, SW7 2PG	50.0%
Aqdot Limited:	Lab 1 Iconix 2 Iconix Park, London Road, Cambridge, CB22 3EG	27.51%
Preferred shares		37.10%
Autifony Therapeutics Limited:	Stevenage Bioscience Catalyst, Gunnels Wood Road, Stevenage, Hertfordshire, England, SG1 2FX	26.47
Ordinary shares		1.73%
A preference shares		38.40%
A3 preference shares		35.53%
Cardian Limited:	30 Broad Street Broad Street, Great Cambourne, Cambridge, England, CB23 6HJ	53.74%
A preferred shares		100.0%
Ordinary shares		36.39%
Econic Technologies Limited:	Block 19s Alderley Park, Macclesfield, Cheshire, England, SK10 4TG	47.22%
A ordinary shares		86.31%
A preference shares		41.18%
B preference shares		50.0%
C preference shares		42.86%
Ordinary shares		8.06%
Garrison Technology Limited:	117 Waterloo Road, London, England, SE1 8UL	20.15%
A preference shares		94.92%
A1 preference shares		25.00%
A2 preference shares		32.91%
Ieso Digital Health Limited:	The Stable Block The Grange, 20 Market Street, Swavesey, Cambridge, CB24 4QG	21.30%
A preference shares		37.5%
A ordinary shares		85.23%
Ordinary shares		17.7%
I2India Holdings	c/o SGG Corporate Services (Mauritius) Ltd, 33 Edith Cavell Street, Port Louis, 11324 Mauritius	35.00%
A Ordinary Shares		31.30%
B Ordinary Shares		100.00%

Notes to the Financial Statements - continued  
for the Year Ended 31 December 2021

7. FIXED ASSET INVESTMENTS (continued)

Lixea Limited:	The Walbrook Building, 25 Walbrook, London, England, EC4N 8AF	36.86%
Nascient Limited:	30 Broad Street, Great Cambourne, Cambridge, Cambridgeshire, CB23 6HJ	73.22%
Ordinary shares		50.0%
Preferred shares		100.0%
Oxford Biotrans Limited:	30 Upper High Street, Thame, Oxfordshire, OX9 3EZ	33.65%
Seed preferred shares		54.23%
Reinfer Limited:	Mindspace Whitechapel, 114 Whitechapel High Street, London, E1 7PT	22.88%
Seed Preference shares		73.26%
Sweetgen Limited	52 Princes Gate, Exhibition Road, London, England, SW7 2PG	50.00%
Therapeutic Frontiers Limited	Gowran House, 56 Broad Street, Chipping Sodbury, Bristol, BS37 6AG	25.84%
Topivert Limited:	265 Strand, London, WC2R 1BH	21.65%
A Ordinary shares		37.78%
B1 Preferred shares		22.51%
B2 Preferred shares		37.78%
Ordinary shares		1.75%
TriboSim Limited	49 Station Road Tribosim Ltd, Polegate, East Sussex, England, BN26 6EA	22.50%
Zihipp Limited	Da Vinci House, Basing View, Basingstoke, Hampshire, RG21 4EQ	30.93%
Zoompast Limited	Office 7, 35-37 Ludgate Hill, London, EC4M 7JN	31.25%

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

The significant influence noted above has been determined in line with IAS 28 and Schedule 4 of The Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008. Associates are portfolio companies over which the LLP has significant influence, but does not control, generally accompanied by a shareholding of between 20% and 50% of the voting rights. The LLP's significant equity investments qualify as an 'associate investments' however, as permitted under IAS 28, the LLP elects to hold such investments at fair value through profit and loss in accordance with IFRS 9.

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

Notes to the Financial Statements - continued  
for the Year Ended 31 December 2021

8. DEBTORS

	2021 £	2020 £
Amounts falling due within one year:		
Deferred consideration receivable <sup>1</sup>	7,345,325	9,874,991
Amounts falling due after more than one year:		
Amounts due from members	101,160,123	63,070,344
Deferred consideration receivable <sup>1</sup>	23,258,590	-
Amounts owed by group undertakings	<u>33,284,116</u>	<u>33,183,710</u>
	<u>157,702,829</u>	<u>96,254,054</u>
Aggregate amounts	<u>165,048,154</u>	<u>106,129,045</u>

<sup>1</sup> Deferred consideration receivables relate to amounts due from the 2020 sale of Enterprise Therapeutic Holding Limited and WaveOptics Limited.

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2021 £	2020 £
Revenue share liability	1,067,298	1,081,880
Amounts owed to group undertakings	-	13,000
Accruals and deferred income	<u>2,104</u>	<u>2,087</u>
	<u>1,069,402</u>	<u>1,096,967</u>

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

	2021 £	2020 £
Carried interest plan liability (see note 11)	8,314,113	6,173,689
Revenue share liability	<u>13,084,100</u>	<u>12,897,022</u>
	<u>21,398,213</u>	<u>19,070,711</u>

Further information on the carried interest plan and revenue share can be found in Note 19 (Revenue Share) and Note 23 (Carried Interest Plan) of IP Group plc's Annual Report and Accounts.

11. CARRIED INTEREST PLAN

	2021 £	2020 £
Opening balance	(6,173,689)	(2,359,355)
Carried interest plan charge	(2,140,424)	(3,814,689)
Members remuneration charged as an expense	(2,954,728)	-
Payments	<u>2,954,728</u>	<u>-</u>
Closing balance	<u>(8,314,113)</u>	<u>(6,173,689)</u>

Further details on the Group's carried interest plan scheme are included within Note 23 of IP Group plc's Annual Report and Accounts.

**Notes to the Financial Statements - continued  
for the Year Ended 31 December 2021**

**12. LOANS AND OTHER DEBTS DUE TO MEMBERS**

Loans and other amounts due to members rank pari passu with unsecured creditors.

**13. RELATED PARTY DISCLOSURES**

As the LLP is a wholly owned subsidiary of IP Group plc, the LLP has taken advantage of the exemption contained in IAS24 and has therefore not disclosed transactions or balances with entities which form part of the IP Group plc.

**14. EVENTS AFTER THE REPORTING PERIOD**

Since the year end, the value of the investment in quoted and private equity portfolio has been impacted by declining public market sentiments, which has seen the reduction in the portfolio value as at 31 May 2022 of £5.0m.

**15. IMMEDIATE AND ULTIMATE PARENT COMPANY AND CONTROLLING PARTY**

The immediate parent company is Touchstone Innovations Limited, and the ultimate controlling party is considered to be IP Group plc. Copies of the ultimate parent company's financial statements may be obtained from the secretary of IP Group plc, 2<sup>nd</sup> Floor, 3 Pancras Square, London, N1C 4AG.