

REGISTERED NUMBER: OC333709 (England and Wales)

**Report of the Members and
Financial Statements for the Year Ended 31 December 2022
for
Touchstone Innovations Businesses LLP**



Touchstone Innovations Businesses LLP (Registered number: OC333709)

**Contents of the Financial Statements
for the Year Ended 31 December 2022**

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Touchstone Innovations Businesses LLP

**General Information
for the Year Ended 31 December 2022**

| | |
|----------------------------|---|
| 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) |
| AUDITOR: | 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 2022

The members present their report with the financial statements of the LLP for the year ended 31 December 2022.

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 £10,178,041 (2020: £78,253,540).

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 page 236 of IP Group plc's Annual Report and Accounts.

GOING CONCERN

The LLP had net current assets of £180,845,202 as at 31 December 2022. The Managing Members 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 partnership will have sufficient funds to meet its liabilities as they fall due for that period. Consequently, the Managing Members are confident that the Partnership 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 85 to 98 of IP Group plc's 2022 annual report and financial statements which does not form part of this report.

MARKET ENVIRONMENT

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

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

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

Touchstone Innovations Businesses LLP (Registered number: OC333709)

**Report of the Members
for the Year Ended 31 December 2022**

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;
- whether they have been prepared in accordance with UK-adopted international accounting standards
- assess the LLP'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 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 (Jul 28, 2023 16:38 GMT+1)
IP2IPO Innovations Limited - Designated member

Date Jul 28, 2023
Date.....

**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 2022 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 2022 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 usual 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.

**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:

Touchstone Innovations Businesses LLP (Registered number: OC333709)

**Income Statement
for the Year Ended 31 December 2022**

| | Notes | 2022 £ | 2021 £ |
|--|-------|--------------------------|--------------------------|
| Administrative expenses | 4 | 1,432,344 | 96,712 |
| Long term incentive carry scheme charge | 11 | <u>(9,271)</u> | <u>(2,140,424)</u> |
| | | 1,423,073 | (2,043,712) |
| Profit on disposal of fixed asset investments | 4 | 2,034,529 | 39,209,367 |
| Profit on release of loan | 4 | - | 13,415 |
| Change in fair value of investments | 7 | <u>6,723,140</u> | <u>41,074,445</u> |
| OPERATING PROFIT | | 10,180,742 | 78,253,515 |
| Interest receivable and similar income | 5 | 599 | 25 |
| Profit for the financial year before members remuneration and profit shares | | <u>10,181,341</u> | <u>78,253,540</u> |
| Members' remuneration charged as an expense | 6 | (1,370,721) | (25,693,292) |
| Profit for the year available for discretionary division among members | | <u>8,810,620</u> | <u>52,560,248</u> |

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


Touchstone Innovations Businesses LLP (Registered number: OC333709)

Balance Sheet
31 December 2022

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| | Notes | 2022 | 2021 |
|---|-------|----------------------|----------------------|
| | | £ | £ |
| FIXED ASSETS | | | |
| Investments | 7 | 222,463,707 | 228,760,786 |
| CURRENT ASSETS | | | |
| Debtors: amounts falling due within one year | 8 | 30,838,828 | 7,345,325 |
| Debtors: amounts falling due after more than one year | 8 | 151,335,265 | 157,702,829 |
| Cash in hand | | <u>71,035</u> | <u>1,855,171</u> |
| CREDITORS | | 182,245,128 | 166,903,325 |
| Amounts falling due within one year | 9 | <u>(1,399,926)</u> | <u>(1,069,402)</u> |
| NET CURRENT ASSETS | | 180,845,202 | 165,833,923 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 403,308,909 | 394,594,709 |
| CREDITORS | | | |
| Amounts falling due after more than one year | 10 | <u>(21,301,793)</u> | <u>(21,398,213)</u> |
| NET ASSETS ATTRIBUTABLE TO MEMBERS | | <u>382,007,116</u> | <u>373,196,496</u> |
| LOANS AND OTHER DEBTS DUE TO MEMBERS | 12 | 385,554,413 | 385,554,413 |
| MEMBERS' OTHER INTERESTS | | | |
| Other reserves | | <u>(3,547,297)</u> | <u>(12,357,917)</u> |
| TOTAL MEMBERS' INTERESTS | | <u>382,007,116</u> | <u>373,196,496</u> |
| Loans and other debts due to members | 12 | 385,554,413 | 385,554,413 |
| Members' other interests | | (3,547,297) | (12,357,917) |
| Amounts due from members | | <u>(111,935,734)</u> | <u>(101,160,123)</u> |
| | | <u>270,071,382</u> | <u>272,036,373</u> |

The financial statements were approved by the members of the LLP on Jul 28, 2023 and were signed by:


Chris Glasson (Jul 28, 2023 16:38 GMT+1)

IP2IPO Innovations Limited - Designated member

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

Touchstone Innovations Businesses LLP (Registered number: OC333709)

Reconciliation of Members' Interests
for the Year Ended 31 December 2022

| | 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 | (12,357,917) | 385,554,413 | - | 385,554,413 | |
| Amount due from members | | - | (101,160,123) | (101,160,123) | |
| Balance at 1 January 2022 | (12,357,917) | 385,554,413 | (101,160,123) | 284,394,290 | 272,036,373 |
| Members' remuneration charged as an expense | - | - | 1,370,721 | 1,370,721 | 1,370,721 |
| Profit for the financial year available for discretionary division among members | 8,810,620 | - | - | - | 8,810,620 |
| Members' interests after profit for the year | (3,547,297) | 385,554,413 | (99,789,402) | 285,765,011 | 282,217,714 |
| Drawings on account and distribution of profit | - | - | (12,146,332) | (12,146,332) | (12,146,332) |
| Amount due to members | - | 385,554,413 | - | 385,554,413 | |
| Amount due from members | - | - | (111,935,734) | (111,935,734) | |
| Balance at 31 December 2022 | (3,547,297) | 385,554,413 | (111,935,734) | 273,618,679 | 270,071,382 |

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

Touchstone Innovations Businesses LLP (Registered number: OC333709)

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)

**Notes to the Financial Statements - continued
for the Year Ended 31 December 2022**

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

The Financial Statements of Touchstone Innovations Businesses LLP (the "LLP") are for the year ended 31 December 2022. The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated. These financial statements have been prepared in accordance with the special provisions relating to LLPs subject to the small LLPs regime.

In these financial statements, the LLP 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 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 2022

There are no amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2022 that have had a material impact on the LLP's financial statements.

Going concern

The LLP had net current assets of £180,845,202 as at 31 December 2022. The Managing Members 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 partnership will have sufficient funds to meet its liabilities as they fall due for that period. Consequently, the Managing Members are confident that the Partnership 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.

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.

Notes to the Financial Statements - continued
for the Year Ended 31 December 2022

2. ACCOUNTING POLICIES - continued

Valuation techniques used

The fair value of unlisted securities is established using appropriate valuation techniques in line with December 2022 IPEV guidelines. The selection of appropriate valuation techniques is considered on an individual basis in light of the nature, facts and circumstances of the investment and in the expected view of market participants. The Group selects valuation techniques which make maximum use of market-based inputs. Techniques are applied consistently from period to period, except where a change would result in better estimates of fair value. Several valuation techniques may be used so that the results of one technique may be used as a cross check/corroboration of an alternative technique.

Valuation techniques used include:

- o Quoted bid price: The fair values of quoted investments are based on bid prices in an active market at the reporting date.
- o Recent financing: The fair value of unquoted investments which have recently raised equity financing may be calculated with reference to the price of the recent investment. For investments for which the capital structure involves different class rights in a sale or liquidity event, a full scenario analysis via the use of the probability-weighted expected return method (PWERM) is used to calculate the implied values of the existing share classes.
- o Other: Future market/commercial events: Scenario analysis is used, which is a forward-looking method that considers one or more possible future scenarios. These methods include simplified scenario analysis and relative value scenario analysis, which tie to the fully diluted ("post-money") equity value. The PWERM method may be utilized for this valuation technique for investments which have an equity structure which involves different class rights in a sale or liquidity event.
- o Other: Adjusted recent financing price based on past performance: The milestone approach involves making an assessment as to whether there is an indication of change in fair value based on a consideration of the relevant milestones, typically agreed at the time of making the investment decision.
- o Other: Discounted cash flows: deriving the value of a business by calculating the present value of expected future cash flows.
- o Other: Revenue multiple: the application of an appropriate multiple to a performance measure (such as earnings or revenue) of the investee company in order to derive a value for the business.

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

Price of recent investment as an input in assessing fair value

The Group considers that fair value estimates which are based primarily on observable market data will be of greater reliability than those based on assumptions. Given the nature of the Group's investments in seed, start-up and early-stage companies, where there are often no current and no short-term future earnings or positive cash flows, it can be difficult to gauge the probability and financial impact of the success or failure of development or research activities and to make reliable cash flow forecasts. Consequently, in many cases the most appropriate approach to fair value is a valuation technique which is based on market data such as the price of a recent investment, and market participant assumptions as to potential outcomes.

Calibrating such scenarios or milestones may result in a fair value equal to price of recent investment for a limited period of time. Often qualitative milestones provide a directional indication of the movement of fair value.

In applying a calibrated scenario or milestone-approach to determine fair value, consideration is given to performance against milestones that were set at the time of the original investment decision, as well as taking into consideration the key market drivers of the investee company and the overall economic environment. Factors that the Group considers include, inter alia, technical measures such as product development phases and patent approvals, financial measures such as cash burn rate and profitability expectations, and market and sales measures such as testing phases, product launches and market introduction.

Where the Group considers that there is an indication that the fair value has changed, an estimation is made of the required amount of any adjustment from the last price of recent investment.

Where a deterioration in value has occurred, the Group reduces the carrying value of the investment to reflect the estimated decrease. If there is evidence of value creation the Group may consider increasing the carrying value of the investment; however, in the absence of additional financing rounds or profit generation it can be difficult to determine the value that a market participant may place on positive developments given the potential outcome and the costs and risks to achieving that outcome and accordingly caution is applied.

Notes to the Financial Statements - continued
for the Year Ended 31 December 2022

2. ACCOUNTING POLICIES - continued

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 deliver 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

| | 2022 £ | 2021 £ |
|--|---------------|---------------|
| Fees payable to the LLP's auditors for the audit of the LLP's financial statements | <u>30,000</u> | <u>27,500</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:

| | 2022 £ | 2021 £ |
|---|------------------|-------------------|
| Foreign exchange gain/(loss) | 1,432,297 | 96,767 |
| Gain on release of loan | - | 13,415 |
| Other administrative expenses | 47 | (56) |
| Profit on disposal of fixed asset investments | <u>2,034,529</u> | <u>39,209,367</u> |

5. INTEREST RECEIVABLE AND SIMILAR INCOME

| | 2022 £ | 2021 £ |
|-------------------------|------------|-----------|
| Escrow account interest | <u>599</u> | <u>25</u> |

6. MEMBERS' REMUNERATION CHARGED AS AN EXPENSE

| | 2022 £ | 2021 £ |
|---|--------------------|---------------------|
| Members' remuneration charged as an expense | <u>(1,370,721)</u> | <u>(25,693,292)</u> |

Touchstone Innovations Businesses LLP (Registered number: OC333709)

**Notes to the Financial Statements - continued
for the Year Ended 31 December 2022**

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. During the year, an allocation of £1.2m was made to the Investor Member, with a further £0.2m profit allocation being made to other Members.

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 2022 | 10,038,563 | 218,722,223 | 228,760,786 |
| Investments during the year | 95,110 | - | 95,110 |
| Disposals | - | (13,009,636) | (13,009,636) |
| Reclassification | - | - | - |
| Change in revenue share | - | (105,693) | (105,693) |
| Fair value movements | (7,388,778) | 14,111,918 | 6,723,140 |
| At 31 December 2022 | <u>2,744,895</u> | <u>219,718,812</u> | <u>222,463,707</u> |

Touchstone Innovations Businesses LLP (Registered number: OC333709)

Notes to the Financial Statements - continued
for the Year Ended 31 December 2022

7. FIXED ASSET INVESTMENTS (continued)

Significant equity investments

At 31 December 2022, 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 % ⁽¹⁾ |
|--------------------------------|---|--|
| 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 | 26.43% |
| Ordinary shares | | 1.71% |
| 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% |
| Ieso Digital Health Limited: | The Stable Block The Grange, 20 Market Street, Swavesey, Cambridge, CB24 4QG | 21.27% |
| A preference shares | | 37.53% |
| A ordinary shares | | 85.23% |
| Ordinary shares | | 17.36% |
| 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% |
| Lixea Limited: | 6th Floor One London Wall London EC2Y 5EB | 36.86% |
| Nascent 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% |
| 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 | 21.15% |
| 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% |

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**Notes to the Financial Statements - continued
for the Year Ended 31 December 2022**

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.

8. DEBTORS

| | 2022 £ | 2021 £ |
|--|--------------------|--------------------|
| Amounts falling due within one year: | | |
| Deferred consideration receivable ¹ | 30,838,828 | 7,345,325 |
| Amounts falling due after more than one year: | | |
| Amounts due from members | 111,935,734 | 101,160,123 |
| Deferred consideration receivable ¹ | 3,544,936 | 23,258,590 |
| Amounts owed by group undertakings | 35,854,595 | 33,284,116 |
| | <u>151,335,265</u> | <u>157,702,829</u> |
| Aggregate amounts | <u>182,174,093</u> | <u>165,048,154</u> |

¹ Deferred consideration receivables relate to amounts due from the 2020 sale of Enterprise Therapeutic Holding Limited and the 2021 sale of WaveOptics Limited.

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2022 £ | 2021 £ |
|---|------------------|------------------|
| Revenue share liability | 1,314,468 | 1,067,298 |
| Amounts payable to members in respect of carried interest | 85,458 | - |
| Accruals and deferred income | - | 2,104 |
| | <u>1,399,926</u> | <u>1,069,402</u> |

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

| | 2022 £ | 2021 £ |
|---|-------------------|-------------------|
| Carried interest plan liability (see note 11) | 8,323,384 | 8,314,113 |
| Revenue share liability | <u>12,978,409</u> | <u>13,084,100</u> |
| | <u>21,301,793</u> | <u>21,398,213</u> |

Further information on the carried interest plan and revenue share can be found in Note 20 (Revenue Share) and Note 24 (Carried Interest Plan) of IP Group plc's Annual Report and Accounts.

Notes to the Financial Statements - continued
for the Year Ended 31 December 2022

11. CARRIED INTEREST PLAN

| | 2022 | 2021 |
|--|--------------------|--------------------|
| | £ | £ |
| Opening balance | (8,314,113) | (6,173,689) |
| Carried interest plan charge | (9,271) | (2,140,424) |
| Members remuneration charged as an expense | (157,633) | (2,954,728) |
| Transfers to members payable account | 157,633 | 2,954,728 |
| Closing balance | <u>(8,323,384)</u> | <u>(8,314,113)</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.

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

There have been no significant events subsequent to the period end.

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, 2nd Floor, 3 Pancras Square, London, N1C 4AG.