

("IP Group" or "the Group" or "the Company")
IP Group plc 2023 Annual Results Release

**Focused and well positioned for the future;
significant inflection points expected over the short term.**

IP Group plc (LSE: IPO), which invests in breakthrough science and innovation companies with the potential to create a better future for all, today announces its annual financial results for the year ended 31 December 2023.

Highlights

Maturing portfolio with multiple near-term value creation opportunities

- Significant portfolio inflection points, including over 10 companies now in clinical studies and expecting key data by the end of 2025, expected to evidence strong value creation
- Capital allocation prioritised to high-growth sectors where we have deep expertise and experience
 - o **Healthier future (Life Sciences)**: Istesso on track to deliver Phase 2b data for Leramistat (MBS2320) in rheumatoid arthritis in H1 2024; Pulmocide Phase 3 study of novel anti-fungal for invasive pulmonary Aspergillus underway
 - o **Tech-enriched future (Deeptech)**: Featurespace posts double-digit revenue growth; significant fundraisings completed for Quantum Motion, Accelercomm & Garrison, portfolio poised to benefit from growth in 2024
 - o **Regenerative future (Cleantech)**: Significant capital (\$15m) committed to Hysata Series B fund raise, which will complete in 2024. Technical milestone achieved in 2023
- £0.7bn of total capital raised by portfolio in 2023 alongside leading co-investors including Bosch Ventures, BP Ventures, Clean Energy Ventures, L&G, M&G, Merck Ventures, Morningside, Pfizer, Roche and Sofinnova (2022 £1.0bn)
- Decisive action to focus on the highest-growth opportunities, deprioritising future investment in our US platform and cessation of plans for China growth fund

Financial strength maintained during challenging markets

- Strong balance sheet and liquidity with gross cash of £226.9m (2022: £241.5m)
- £73.2m portfolio investment into 33 companies across our three high-growth sectors (2022: £93.5m, 46 companies) representing around 10% of capital raised by our portfolio (2022: 9% of total capital raised)
- Cash proceeds in line with expectations at £38.6m (2022 £28.1m)
- NAV per share declined to 114.8p (-13%), driven primarily by adjustments to the carrying values of First Light Fusion, our US platform, Hinge Health and Akamis Bio and reflecting a fair value decrease of listed holding Oxford Nanopore. Since year-end, further reduction in listed portfolio of £45.4m.
- Third party managed funds of £650m (2022: £700m), with more than £100m available for investment

Continued commitment to shareholder returns

- Launched further £20m share buyback fulfilling our commitment to regular cash returns from realisations
- As announced on 18 December 2023, future cash returns are expected to be in the form of share buybacks when the share price discount to NAV exceeds 20%
- Over £75m of total cash returned to shareholders through dividends and share buybacks since 2021

Summary financials

	FY 2023	FY 2022
Net Asset Value (NAV) ⁽ⁱ⁾	£1,190.3m; 114.8pps	£1,376.1m; 132.9pps
Return on NAV ⁽ⁱ⁾	-13%; (£172.2m)	-20%; (£341.1m)
Loss for the year	(£174.4m)	(£344.5m)
Total portfolio ⁽ⁱ⁾	£1,164.9m	£1,258.5m
Gross cash and deposits ⁽ⁱ⁾	£226.9m	£241.5m
Cash proceeds ⁽ⁱ⁾	£38.6m	£28.1m
Portfolio investment ⁽ⁱ⁾	£73.2m	£93.5m

(i) Note 29 details the Alternative Performance Measures ("APM")

Greg Smith, Chief Executive of IP Group, said:

"The market environment for early-stage investing remained challenging in 2023. In response, we have prioritised and heavily focused our activities and capital on developing leading portfolio opportunities in the high-growth sectors where our teams have deep expertise. The Group's portfolio successfully raised a total of £0.7bn, with the Group investing £73m alongside more than fifty co-investors. Having appropriately managed our level of portfolio investment, the Group finished the year in a strong financial position with £227m gross cash – an important strategic asset in the current environment.

The Board remains committed to delivering shareholder returns that include a regular cash component from realisations. This is now anticipated to be solely in the form of share buybacks while the share price discount to NAV exceeds 20%.

I believe the Group is well positioned for 2024. We have an excellent team that combines university relationships with deep sector experience and networks, allowing us to access highly differentiated dealflow. We are one of the companies most closely aligned with the UK's 'science superpower' ambition, which we intend to build on this year. In pursuing our purpose to accelerate the power of science for a better future by starting and growing businesses driving the energy transition, the digital transformation and improved health outcomes, we can make a significant dent in some of society's biggest needs and deliver compelling financial returns for our shareholders."

Webinar

IP Group will host a webinar for analysts and investors today, 13 March, at 09:00am. For more details or to register as a participant please visit <https://www.investormetcompany.com/ip-group-plc/register-investor>.

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Further information on IP Group is available on our website: www.ipgroupplc.com

Notes

(i) Nature of announcement

This Annual Results Release was approved by the Directors on 13 March 2024.

The financial information set out in this Annual Results Release does not constitute the Company's statutory accounts for 2023 or 2022. Statutory accounts for the years ended 31 December 2023 and 31 December 2022 have been reported on by the Independent Auditor. The Independent Auditor's Reports on the Annual Report and Financial Statements for 2023 and 2022 were unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006. Statutory accounts for the year ended 31 December 2022 have been filed with the Registrar of Companies. The statutory accounts for the year ended 31 December 2023 will be delivered to the Registrar following the Company's Annual General Meeting.

The 2023 Annual Report and Accounts will be published in April 2024 and a copy will be posted on the Group's website (www.ipgroupplc.com). In accordance with Listing Rule 9.6.1 a copy of the Annual Report and Accounts will also be submitted to the National Storage Mechanism on or around this date and will be available for inspection at: www.Hemscott.com/nsm.do from that time.

Throughout this Annual Results Release the Group's holdings in portfolio companies reflect the undiluted beneficial equity interest excluding debt, unless otherwise explicitly stated.

(ii) Forward-looking statements

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

STRATEGIC REPORT

CHAIRMAN'S SUMMARY

Rarely has the expression 'may you live in interesting times' been more apposite than when applied to the world in which we live today. Often expressed as a 'curse' to denote times of trouble and uncertainty, its accuracy in describing the geopolitical, economic and market backdrops that set the context for our activities in 2023 and our expectations for the current year is indisputable. The carry-over from 2022 of the re-rating downwards of listed technology companies, outside of those involved in AI, was progressively reflected in reduced appetite for venture investment in private market funds. This impacted valuations as funding rounds became more challenging to close, with fresh money able to negotiate advantageous terms often to the detriment of existing investors unable to fund follow-on investment.

Fortunately, the balance sheet strength that we established in mid-2022 through raising long-term debt capital ahead of the subsequent series of interest rate rises in the UK, provided the capacity to support our portfolio companies selectively where required. Once again, we progressively pared back our initial investment plans to ensure we retained capacity to support our priority portfolio companies into 2024 and ended the year with £227m gross cash.

The mix of our portfolio, substantially in life sciences and energy transition, plus leading companies in virtual reality, cyber resilience and fraud detection, remains highly relevant to the future desired by the societies we serve.

Increasing public policy support for science and innovation

We are increasingly encouraged by evidence of growing public policy support for science and innovation, given that we are one of the UK's leading companies supporting the transition of academic discovery and innovation to successful commercial realisation. We welcomed the Chancellor's announcement in June of a comprehensive package of policies spanning regulation, research and development ("R&D"), infrastructure, skills and planning, all aimed at driving investment, growth and innovation.

Investment capital to meet these objectives is key to delivering the economic growth and jobs needed to secure the improved lifestyle we desire to leave for future generations. Investing to enhance existing technologies and to bring through transformative new technologies aligns fully with our mission to deliver a better future for people and the planet.

Thus, we are also highly supportive of the initiatives announced by the Chancellor in the Spring Budget, the Autumn Statement and the Mansion House reforms to increase investment through UK retirement savings schemes into unlisted equities. The UK has an enviable, indeed leading, position in academic-led innovation and these reforms have highlighted the opportunities available both to scale-up investment support for such business and increase returns to retirees over their investment horizon. Once implemented, we stand to gain from the resulting investment flows.

Investment and Financial Performance in 2023

Notwithstanding the 'risk-off' sentiment across much of the market in 2023, we enjoyed some significant successes and achieved a number of critical milestones; let me draw attention to two.

In our energy transition portfolio, Hysata marked a year of outstanding progress, culminating in being recognised by the COP28 Presidency with an Energy Transition Changemaker award. Hysata's revolutionary high-efficiency electrolyser is designed to deliver the world's lowest cost green hydrogen, a key enabler of the clean energy transition. In December, the Group committed US\$15m (£11.8m) to the first close of a fresh funding round for Hysata, which was externally priced at a substantial uplift to its previous round, resulting in our existing stake almost tripling in value, with a fair value uplift of £46.5m.

Istesso completed recruitment for its Phase 2b trial of Leramistat (MBS2320), its lead drug in rheumatoid arthritis, which represents a \$25bn market, and expects the data by the first half of this year.

There were also disappointments; Oxford Nanopore (ONT), in which the Group owns a 9.8% stake, saw its share price fall markedly over the year, notwithstanding revenue growth just below the lower end of guidance. While the price decline reduced the value of our holding by £31.9m, we remain convinced of the long-term value of this investment.

Finally, First Light Fusion, which had successfully achieved fusion in 2022, has not yet completed a planned funding round given market conditions and, as a result, we wrote down our investment by £49.6m, or 43%, essentially reversing much of the unrealised gain recognised in 2022 following their announcement of achieving a fusion result.

Driven by write-downs in the portfolio, we recorded a loss of £174.4m for the year; (2022: £344.5m loss). As at 31 December 2023, our Net Asset Value stood at £1,190.3m (2022: £1,376.1m) or 114.8 pence/share (2022: 132.9pence/share). In 2023 we invested £73.2m into the portfolio, out of a total amount raised by the portfolio of £667m and we realised cash from disposals, including deferred cash from prior year disposals of £38.6m (2022 comparatives were respectively £93.5m, approximately £1bn and £28.1m). Our share price ended the year at 58.1p, marginally lower than its entry point to the year of 61.2p.

Addressing the discount to Net Asset Value ('NAV')

The Board set one of its objectives at the outset of 2023 to take steps designed to narrow the discount at which our shares trade, versus the stated NAV per share. We recognise that continuation of this discount is of considerable disappointment to our shareholders.

In conjunction with our advisors and brokers, management significantly increased the outreach made to current and potential shareholders, both in the UK and internationally. Additionally, the Board considered a wide range of alternative structures through which we could conduct our business and discussed these with advisers and, in principle, with a number of our larger shareholders. The outcome of these actions was successful in broadening interest in the Group from those who were not already invested but that has not yet resulted in material new investment. It was also clear that structural change did not offer an obvious route to a valuation uplift, and we concluded, with broad shareholder support, to continue to concentrate management effort on working with our priority portfolio

companies, given the many critical events and milestones expected over the coming year. That concentration also resulted in scaling back on some of our international activities and Greg discusses this more fully in his report.

We also concluded that we should pause paying a dividend while our shares stood at a significant discount to NAV and should embark upon a modest share buyback programme, both to capture the discount and evidence whether such market intervention would meaningfully narrow the discount. We announced a buyback programme of up to £20m on 18 December 2023. To date we have bought 5,225,207 shares at an average price of 51.4p.

Director retirement

Our Non-executive colleague, Dr. Elaine Sullivan, will this year have (substantially) completed her third term of three years and, accordingly, the Company announces that she will not be standing for re-election at its annual general meeting ("AGM") on 12 June 2024 and will step down from the Company's board of directors effective from the close of the AGM.

Looking forward to 2024

2024 sees elections in more than 50 countries representing close to half of the world's population and GDP, with many outcomes likely to bring significant change. Two major wars are continuing with no sign of resolution and indeed risk drawing others into conflict. Inflation seems to have peaked in major Western economies, but expectations now are for a more measured pattern of interest rate reductions. Cost of living challenges remain elevated and all of the above contribute to migration patterns that are difficult to control.

As a result, it is likely that risk appetite will remain cautious until at least the electoral map has settled and potential policy changes are digested. The areas in which we invest remain critical to building the future we desire to leave to future generations so we will continue to ensure that we have the people and financial resources to support our portfolio companies as they scale up their contributions to that future. Once again, I look forward to updating you on progress at the end of a year that we anticipate will see many milestones reached.

Sir Douglas Flint

Chairman

13 March 2024

CHIEF EXECUTIVE'S OPERATIONAL REVIEW

Overview

The overall market environment for growth companies and early-stage investing remained challenging during 2023, as Douglas has articulated above. In this context, the Group has made encouraging progress, focusing our capital and time on the most promising opportunities within the three high-growth sectors where we have deep expertise and experience, maintaining our financial strength and taking further action to deliver shareholder returns. Our overall financial performance for the year, a negative return of 13% on NAV per share, was disappointing and below our longer-term aspirations.

Our recent strategy has been one of increased focus, under which around half of our investment over the last two years has been into eight priority companies, while we have deprioritised future investment in the US and ceased plans to raise a fund in China. Nearly 80% of our portfolio value is now concentrated in 20 companies and more than 90% in 40 companies. I remain confident that this increased focus, combined with a significant number of portfolio inflection points in 2024 and beyond, has the potential to deliver compelling returns.

The market opportunity for our investment themes

The Group's overall investment thesis remains that scientific and technological innovation with a clear focus on the three thematic areas where the Group has deep expertise and experience, will address significant societal need and market opportunity allowing us to deliver financial returns with real-world impact.

For a healthier future (life sciences), rapid advancements in biotechnology, pharmaceuticals, and healthcare delivery are driving transformative changes in how we understand, treat, and prevent diseases, presenting a huge economic opportunity for innovation. Worldwide prescription drug sales are estimated to be \$1.4tn in 2026, with the well-documented 'patent cliff' for blockbuster drugs putting \$10bns of this at risk. EY estimates Biopharma companies have a record-equalling \$1.4tn 'firepower' for business development and licencing of potential new drugs. IP Group is strategically positioned to capitalise on this megatrend, with over ten companies now in clinical studies and expecting key data by the end of 2025, including a number of later stage clinical trials.

For a tech-enriched future (deeptech), the global "digital transformation", characterised by the comprehensive integration and relentless increase in sophistication of digital technologies in every aspect of society and business, is the most profound and pervasive megatrend shaping the future of our world. Spending in this area is forecast to reach \$3.4 trillion by 2026. IP Group has been investing for many years in the fundamental technologies enabling this transition including artificial intelligence, future computing, human-machine interface and next generation communication innovations. Embracing the digital transformation megatrend not only presents lucrative investment opportunities but also reinforces our commitment to fostering innovation and driving positive change in the global economy.

For a regenerative future (cleantech), the global trajectory continues to converge towards adoption of clean energy solutions. Global investment in the energy transition hit \$1.8 trillion in 2023, up 17% on the previous year. Our foresight in recognising this market opportunity has positioned us to capitalise on the accelerating transition towards clean energy, resource efficiency, and environmental sustainability. Leveraging our expertise and networks through our Kiko Ventures brand, we are actively identifying and nurturing disruptive startups and visionary entrepreneurs driving impactful solutions that generate attractive financial returns.

As noted in our RNS on 30 January 2024, we have made a number of fair value reductions in the portfolio, primarily as a result of a more difficult funding environment. This resulted in a negative return on NAV of 13% or £172.2m (2022: negative return of 20%, £341.1m). As of 31 December 2023, the value of the Group's portfolio was £1,164.9m (2022: £1,258.5m). This is summarised as follows, with further commentary in the Portfolio Review below.

All £m unless stated	Invested	Cash proceeds	Net portfolio gain/(loss)	Fair value at 31 December 2023	Simple return on capital (%)
Healthier future: Life Sciences (ex ONT)	33.9	3.7	(73.9)	393.8	(17%)
Healthier future: ONT	—	—	(31.9)	173.6	(16%)
Tech-enriched future: DeepTech	11.9	33.2	(4.9)	231.4	(2%)
Regenerative future: Cleantech (Kiko Ventures)	17.6	0.1	(8.7)	275.3	(3%)
Platform investments	9.8	1.6	(41.1)	90.8	(33%)
Total Portfolio	73.2	38.6	(160.5)	1,164.9	(13%)

- **Healthier future (life sciences):** Disappointing financial performance in a difficult funding environment for Life Sciences companies was balanced by underlying progress within the portfolio, with ten companies expecting key clinical data in the next two years. Most notable is Istesso, which expects Phase 2b data for Leramistat (MBS2320) in rheumatoid arthritis in the first half of this year, and Pulmocide, whose Phase 3 study of its novel anti-fungal for invasive pulmonary Aspergillus is well underway. Key notable non-clinical milestones included Genomics plc's £35m financing (which closed in 2024) to help develop its advanced genetic screening business build-out, and Apollo Therapeutics' \$227m Series C financing. The largest fair value reductions were Oxford Nanopore and Hinge Health where, despite continued double-digit revenue growth for both companies, lower revenue multiples applied.
- **Tech-enriched future (deeptech):** Our most valuable deeptech holding, Featurespace, continues to impress, posting double-digit revenue growth even at a time of a slowdown in the market more generally. Our early, maturing portfolio of assets attracted large amounts of growth capital including Accelercomm in a £21m series B and Quantum Motion Technologies closed the largest ever funding round for a European quantum computing start-up with over £40m raised. The portfolio did see some impairments caused by specific issues but as 2024 progresses it is, on the whole, well placed to capture growth.
- **Regenerative future (cleantech):** the majority of the Kiko portfolio performed well this year, with successful funding rounds for C-Capture, OxCCU, Hysata and Mixergy despite worsening funding conditions. We have grown the Kiko team in anticipation of softening prices for new cleantech investments and anticipate an attractive environment for new investments in the coming year. First close of Hysata Series B generated a fair value uplift of £46.5m in our holding, following significant technical progress. First Light Fusion has not yet completed its planned Series C funding round, and we have reversed the fair value increase from 2022 to reflect this, while noting that the inertial confinement fusion landscape remains buoyant. We take the outcome of COP28 climate conference as broadly positive, with agreement to transition away from fossil fuels entering the final text for the first time and agreement to triple renewables capacity by 2030.

Geographic focus

Over the last 20 years, the Group has played a leading role in creating a vibrant ecosystem for science and technology commercialisation in the UK. We took a pioneering role in partnering with the University of Oxford, were founder investors in dedicated investment vehicles such as Oxford Science Enterprises, Cambridge Innovation Capital and the UCL Technology Fund and remain the most active backer of university spin-outs in the UK, primarily through our market-leading EIS fund manager, Parkwalk Advisors. To this end, 84% of the Group's portfolio by value is UK-based, although many companies provide their products and services to an international customer base.

Our operation in Australia is much younger. However, driven largely by the success of Hysata, a spin-out from the University of Wollongong in New South Wales, the portfolio had another strong year and has delivered the strongest returns since it was established in 2017. Australian portfolio companies are included within the relevant sectors in the portfolio analyses below.

In North America, where the Group has a 58% holding in a fund managed by Longview Innovation, the funding environment for LP funds has remained difficult. Having been unable to secure significant additional funding alongside \$10m committed by the Group during 2022, the Longview team has scaled back its overheads and is focused on maximising value from its current portfolio. As part of our strategy, we have deprioritised any further capital to the US platform. While there are a number of potential value inflection points in the Longview portfolio this year, the Group has reduced the value of its holding in the US platform by around 50% to reflect these circumstances.

Further, consistent with our strategy to focus on the highest-growth opportunities, we have decided not to proceed with our plans to raise a fund in China, although continue to actively pursue co-investment from the wider Asia region.

Financial strength during challenging markets

The Group has proactively managed its level of investment during the year and, as a result, remains in a strong financial position with gross cash and deposits of £227m at year end. The Directors took proactive steps to maintain financial strength by securing a private market debt issue in 2022 and reducing investment levels to £73.2m in 2023 from £93.5m in 2022. £38.6m of cash proceeds were received in 2023. In addition, the Group's portfolio remains generally well-funded, having raised £667m in 2023.

Third-party funds under management

The Group has a flexible approach to capital that combines balance sheet monies with earlier-stage, tax-advantaged funds as well as later-stage private capital and now manages or advises £650m (2022: £700m). Having appointed a new Head of Global Capital to focus on third-party funds, the team has more than doubled its engagements with public and private investors in 2023 and continues to pursue further capital in our third-party funds platform.

Approximately three-quarters of the Group's private capital, £469m, is managed by Parkwalk, the Group's specialist EIS fund management subsidiary (2022: £477m). This includes funds managed in conjunction with the universities of Oxford, Cambridge, Bristol and Imperial College London. The Group has further integrated Parkwalk Advisors into the Group as a source of distinctive deal flow and strengthened relationships with industry peers to surface co-investment opportunities. Market data provider Beauhurst again named Parkwalk as the most active investor in the sector.

In May 2023, we received FCA approval for Parkwalk to be a full-scope AIFM (alternative investment fund manager). Parkwalk invested £45.1m in 2023 (2022: £57.4m) in the university spin-out sector across 27 companies (2022: 28). Eight new companies joined the Parkwalk portfolio, two successful exits were completed, returning £24.9m to investors, while two investments were sold for a loss and two were written-off. Parkwalk liaised closely with BEIS, the newly formed DSIT, HMT and HMRC on the financial ecosystem for knowledge-intensive spinout companies and the UK Government's 'science superpower' agenda.

The majority of our remaining funds are managed by our Australian team. The IP Group Hostplus Innovation Fund, managed for top-ten Australian Superannuation fund, Hostplus, now totals A\$310m (£163m) and has invested in several of the Group's portfolio companies including Oxford Nanopore, Wave Optics, Oxa and Hysata, providing additive growth capital for companies as they scale. TelstraSuper is also investing alongside IP Group through a co-investment mandate.

Impact

The Group's purpose is to accelerate the impact of science for a better future, delivering financial returns alongside positive, real-world impact. Our strategy to do so is organised around five pillars of activity – 'accelerate value creation'; 'have an impact on the world that counts'; 'develop our unique insight, expertise and access'; 'build a truly distinctive reputation'; and 'be a home for exceptional talent' – underpinned by class-leading internal processes, services, and controls.

We have successfully refreshed the Group's brand identity, aimed at highlighting our expertise and clearly aligning around our impactful purpose. In terms of impact, we have partnered with the Value Balancing alliance to co-create an impact framework and approach for developing KPIs for VCs and have built an impact approach for life sciences and co-convened a working group for VC firms with the Operating Principles for Impact Management (OPIM), to provide a platform that will allow for the sharing of best practice and key learnings around impact. The Group is AAA rated by MSCI, ranked first for our industry group by Sustainalytics and has PRIME status in the ISS ESG corporate rating.

Talent as a key driver of success

The talent and capability within in our investment teams is a key asset for the Group. Strengthening the professional capabilities of our investment teams has been a key focus since the formation of the investment partnerships in 2018. Our investment partners have considerable experience across venture and in their respective domains of commercial specialisation, complemented by strong operational experience. The teams each have a wide network of co-investors, innovators, and entrepreneurs, which brings high-quality pipeline opportunities, complimentary capital and portfolio management talent. We continue to work hard to build stronger networks amongst potential acquirers and to expand our geographical network to help our companies with international reach.

We are also improving the external visibility and reputation of our investment teams, notably with the Kiko brand but also across all our divisions by marketing our thought leadership on social media and speaking at events. All our investment teams have now worked together for an extended period. Team processes have been professionalised and are continuously improving, with investment decision-making delegated appropriately to practitioners.

During 2023 the Group has seen exceptionally low unplanned talent turnover and added a small number of Investment Associates into our Kiko team. We have maintained a 'high' eNPS score, completed our 'values' project and delivered on the second year of our employee-led Inclusion and Diversity (IDP) masterplan. The Group was placed first in the 2024 Honordex Inclusive PE & VC index.

The Artificial Intelligence opportunity

As outlined above, one of the Group's investment areas includes identifying, backing and growing businesses that apply artificial intelligence and machine learning to significant market opportunities as well as the deep technology solutions that will enable the realisation of these opportunities, such as future compute and next generation networks.

We are also taking a proactive approach to the use of generative artificial intelligence (Gen AI) within our business processes, both through the deployment of market leading off-the-shelf solutions to improve team productivity, and the development of in-house, proprietary toolsets for improving efficiency across all our workstreams. We expect that the development of Gen AI tools will have a positive impact on opportunity sourcing, due diligence and market analysis in the shorter term. As an example, we have developed a proprietary IP landscaping tool that leverages the inherent power of large language models to rapidly analyse and deliver insights from bulk data, which is being used initially in our Australian business. We are also actively monitoring the use of Gen AI across the venture capital ecosystem, employing our deep understanding of technology to identify, employ and invest in differentiated solutions that align with our tech-enriched future/digital transformation investment theme.

Continued commitment to shareholder returns

The Group aims to deliver returns to shareholders primarily in the form of long-term capital appreciation. Subject to the Group's capital allocation policy, the majority of cash proceeds will be typically reinvested with a smaller proportion used to deliver a cash return to shareholders. Since the introduction of this approach in 2021, the Group has delivered more than £75m of cash returns to our shareholders via dividends and share buybacks.

Given the continued discount between the Company's share price and its NAV per share, which the Directors believe significantly undervalues the Group's portfolio, we launched a share buyback of up to £20m in December 2023. The Board remains committed to utilising a proportion of realisations to make regular cash returns to shareholders, which will typically be made in the form of share

buybacks when the share price discount to NAV exceeds 20%. As previously announced, regular dividend payments will be suspended under such conditions, and accordingly the Board is not recommending a final dividend for 2023.

During 2023, the Group purchased 220,302 shares for £0.1m and a further 5,004,905 shares for £2.6m have been purchased in 2024. In 2023, the Group paid the final 2022 dividend of 0.76 pence per share and an interim dividend of 0.51 pence per share, a total of £13.0m for the year.

In addition, we have more than doubled our investor relations activities with further investor-focussed events as well as our flagship 'Scale it up' event at London's Science Museum in May where we hosted a debate on how the UK can help support more UK innovation to become world-leading companies, showcasing a number of our portfolio companies. We have also increased the number of roadshows the Group undertakes, meeting with shareholders and non-holders in the UK, Europe, US and Middle East.

Outlook

As the UK's most active investor in university spin-outs, we continue to see huge opportunity for the Group to benefit from increasing public policy support for science and innovation with £109m capital across our third party managed funds including Parkwalk still to invest alongside balance sheet funding. While the current macro environment remains challenging, we see continued interest in our portfolio and remain confident that investor appetite for growth companies will return. The Group and its portfolio remain well-funded and we are confident the Group will reap the benefits of our maturing portfolio given the number of key milestones anticipated over the next 12-18 months, particularly in life sciences. The Group is committed to delivering value for all stakeholders and anticipates that the next 18 months could be transformational to fair value growth.

Greg Smith
Chief Executive Officer
13 March 2024

PORTFOLIO REVIEW BY SECTOR

Overview

The Group has a focused and maturing portfolio of companies that contribute to a healthier future (life sciences), a tech-enriched future (deeptech) and a regenerative future (cleantech, through our Kiko Ventures platform).

In addition, a small number of investments are categorised as platform investments, which are funds or portfolio companies that invest in other opportunities.

Sector	As at 31 December 2023		As at 31 December 2022	
	£m	%	£m	%
Healthier future: Life sciences (ex-ONT)	393.8	33%	435.6	35%
Healthier future: Life sciences (ONT)	173.6	15%	205.5	16%
Tech-enriched future: Deeptech	231.4	20%	227.3	18%
Regenerative future: Cleantech (Kiko Ventures)	275.3	24%	266.4	21%
Platform investments	90.8	8%	123.7	10%
Total portfolio	1,164.9	100%	1,258.5	100%

Portfolio Review: Healthier future: Life sciences

IP Group's Life Sciences portfolio comprises holdings in 33 companies valued at £567.4m at 31 December 2023.

Company name	Description	Group Stake at 31 December 2023 %	Net investment/ (divestment) £m	Unrealised + realised fair value movement £m	Fair value of Group holding at 31 December 2023 £m
Oxford Nanopore Technologies plc	Enabling the analysis of any living thing, by any person, in any environment	9.8%	–	(31.9)	173.6
Istesso Limited	Reprogramming metabolism to treat autoimmune disease	56.5%	15.0	3.1	113.8
Hinge Health, Inc.	The World's First Digital Clinic for Back and Joint Pain	1.8%	–	(19.6)	34.0
Crescendo Biologics Limited	Biologic therapeutics eliciting the immune system against solid tumours	14.4%	0.8	–	19.6
Pulmocide Limited	Novel inhaled treatment for life-threatening fungal lung infections	12.6%	–	4.5	19.2
Ieso Digital Health Limited	Digital therapeutics for psychiatry	31.6%	0.6	(3.5)	18.9
Artios Pharma Limited	Novel oncology therapies	7.3%	–	(0.9)	17.4
Microbiotica Limited	Gut-microbiome based therapeutics and diagnostics	17.7%	–	–	16.1
Mission Therapeutics Limited	Targeting deubiquitylating enzymes for the treatment of CNS and mitochondrial disorders	7 18.2%	3.9	(6.3)	15.8

Centessa Pharmaceuticals plc	Discovery and development of medicines that are transformational for patients	2.6%	–	9.2	15.7
Other companies (23 companies)			9.9	(60.4)	123.3
Total			30.2	(105.8)	567.4

Oxford Nanopore continues to underperform on a results and share-price basis, culminating in a disappointing results announcement in March, having warned that its 2023 revenues would be lower than its previous guidance range in January 2024. With core growth of 16% in 2023, and revised guidance towards underlying core growth of 20-30% in 2024 and 30% in the mid-term, we continue to believe that the company's long-term fundamentals remain intact. We believe that the company has now rebased its forecast, margins and growth outlook to what we feel is a realistic level, with room for outperformance.

The largest transaction in 2023 for the Group was a £15.0m investment into Istesso, primarily via a convertible note, with a further £10m convertible loan invested in January 2024. We continue to see good progress at Istesso with its Phase 2b study of Leramistat in rheumatoid arthritis due to read out in the first half of 2024. The largest funding round within the portfolio was Apollo Therapeutics' \$226.5m Series C financing while, in early 2024, Genomics plc completed a £35m funding round which will help the company build upon its initial commercial traction in the field of advanced genetic screening.

In terms of clinical progress across the portfolio, we saw Mission and Artios Pharma announcing positive Phase 1 data for their lead programmes, and Artios Pharma, Mission, Kynos and Pulmocide all initiating important clinical studies, including Pulmocide's Phase 3 study in invasive pulmonary Aspergillus. We now have ten companies in clinical studies that could provide key value-driving data over the coming two years. We also saw positive outcomes for Autifony, which announced a global licensing deal worth up to \$770m with Nasdaq's Jazz Pharmaceuticals which resulted in a £6.1m fair value uplift.

In terms of NAV performance, the value of the portfolio declined by £73.9m (-17%) over the year, driven largely by significant fair value reductions in some key assets, including Hinge Health £17.8m (-33%), Akamis Bio £15.9m (-75%), Oxular £14.1m (-88%), Enterprise Therapeutics £7.9m (-39%), Mission Therapeutics £6.3m (-35%) and Oxehealth £5.2m (-50%). These write-downs resulted from independent valuation reappraisals informed by the more difficult funding and pricing environment, fundraising conducted at depressed prices or, in the case of Oxular, from clinical setbacks.

We expect a more positive year in 2024, with downward pressure on valuations reducing, and evidence that the pharma industry's appetite for acquiring the best clinical assets is only increasing, as witnessed by some very significant transactions announced in late 2023/early 2024.

Portfolio Review: Tech-enriched future: Deeptech

IP Group's Technology portfolio comprises holdings in 32 companies valued at £231.4m at 31 December 2023.

Company name	Description	Group Stake at 31 December 2023 %	Net investment/ (divestment) £m	Unrealised + realised fair value movement £m	Fair value of Group holding at 31 December 2023 £m
Featurespace Limited	Leading predictive analytics company	20.1	–	8.8	73.0
Garrison Technology Limited	Anti-malware solutions for enterprise cyber defences	23.6	3.9	–	31.6
Ultraleap Holdings Limited	Contactless haptic technology "feeling without touching"	16.9	–	(6.9)	31.0
Accelercomm Limited	Developing a high-performance decoding solution for 5G mobile communication	26.5	3.6	0.4	12.5
Other companies (28 companies)			(28.8)	(7.2)	83.3
Total			(21.3)	(4.9)	231.4

The IP Group Deeptech team invests in breakthrough technologies across four high growth sectors of future compute, applied AI, next generation networks and the human-machine interface, areas in which the UK excels and is increasingly becoming a dominant global force.

While 2023 was a challenging year for the global technology venture market, impacting both the availability of new capital as well as the price of funding rounds, the technology portfolio proved resilient, and we were pleased to have completed all of our key targeted transactions at uplifted or flat valuations. These included a £42m round for Quantum Motion Technologies, the largest ever single investment into a quantum computing startup in the UK, a £21.5m series B round for Accelercomm and a £15.5m round for Garrison Technologies. While there were some impairments to valuations, either where comparator valuation benchmarks reduced and/or where progress was a little slower than planned, we are pleased with the overall performance and firmly believe the deeptech portfolio remains poised for growth in 2024 and stands to benefit both from the continued acceleration of digital transformation across the economy and specifically from the huge potential of new technologies such as generative AI.

In 2023, Featurespace continued to deliver healthy growth with double-digit increases to revenue, a trend which was replicated elsewhere in the portfolio in companies including Itaconix. Garrisog, which eliminates cyber threats whilst delivering full web access without putting an organisation's sensitive data and systems at risk, hit its revenue targets to the year ended March 2023 and raised

£15.5m of new investment from Legal and General and British Patient Capital, alongside existing investors including IP Group. The company has grown rapidly over the last 4 years, compounding revenues at 64% year on year over this period, with continued attractive growth expected this year.

It was also pleasing to see the completion of a £21.5m series B investment round at our portfolio company Accelercomm, which is supercharging the world's wireless infrastructure. The round was led by Swisscom Ventures and Parkwalk Advisors alongside Hostplus with follow-on funding from all the existing investors. Accelercomm's technology, which can halve the cost of spectrum and power in 5G networks by increasing throughput and reducing latency, is already being used by several of the world's largest corporates, and the company continues to grow through evolving partnerships with the likes of AMD, Vodafone and Lockheed Martin.

Quantum Motion Technologies closed a £42m funding round, the largest ever single investment into a quantum computing startup in the UK. The investment, which the company will use to develop its silicon-based approach to building a cost-effective and scalable quantum computer, was provided by Robert Bosch Venture Capital alongside Porsche SE and British Patient Capital. IP Group and Parkwalk participated alongside all of the company's other existing investors (Inkef, NSSIF, Octopus Ventures and OSE). Another of our quantum computing portfolio companies, Oxford Quantum Circuits, announced its \$100m funding round and the public availability of "OQC Toshiko", the world's first enterprise-ready quantum computing platform. IP Group was instrumental in the formation of both these quantum computing companies, and we are proud of their progress in this pioneering field that has the potential to shape the future of computing.

Elsewhere in the portfolio, Audioscenic launched its first commercial product at CES 2023 as the power behind Razer's latest gaming soundbar, the Leviathon V2 Pro (which won a dozen awards), and they showcased new products in both laptops and PC monitors at CES 2024. Intrinsic Semiconductor Technologies, a game-changing company with technology aiming to revolutionise the \$100bn non-volatile memory market, far exceeded its technical milestones and will now greatly accelerate its commercial development.

In terms of fair value reductions, we reduced the value of our holding in Teya by £4.5m due to stronger than expected market headwinds although we continue to believe the business has strong growth prospects and excellent fundamentals. Ultraleap also faced challenging conditions in the key eXtended Reality (XR) market which has been slow to materialise, and we have reduced the fair value of our holding by £6.9m. Ultraleap has, nonetheless, secured several key licence agreements in the period with well-recognised names and we remain bullish on the longer-term adoption of XR technologies.

In 2023, the team backed two new opportunities including one in Australia as well as a £3m investment into DeepRender which is developing the next generation of image and video compression technology using an AI-first approach. DeepRender already has commercial engagement with several of the world's top content streamers and looks set to significantly disrupt this market in the years to come. As 2024 unfolds, we expect to see strong growth across our focus portfolio as software sales rebound in the more mature assets, and technologies deployed into new products in our mid and early-stage portfolio. Together this positions the asset base well for value accrual provided the market provides continued access to additional growth and expansion capital.

Portfolio Review: Regenerative future: Cleantech (Kiko Ventures)

The Cleantech (Kiko Ventures) portfolio comprises holdings in 16 companies valued at £275.3m at 31 December 2023.

Company name	Description	Group Stake at 31 December 2023 %	Net investment/ (divestment) £m	Unrealised + realised fair value movement £m	Fair value of Group holding at 31 December 2023 £m
Hysata Pty Limited	Developing a new type of breakthrough hydrogen electrolyser and accelerating the global transition to net zero	36.8	4.7	46.5	70.0
Oxa Autonomy Limited	Software to enable every vehicle to become autonomous	11.8	–	(0.2)	65.7
First Light Fusion Limited	Solving fusion with the simplest possible machine	27.5	–	(49.6)	64.9
Bramble Energy Limited	The fuel cell company with Gigafactories	31.4	–	–	20.9
Nexeon Limited	Silicon anodes for next generation lithium-ion batteries	5.2	–	(4.7)	11.8
Other companies (11 companies)			12.8	(0.7)	42.0
Total			17.5	(8.7)	275.3

An early highlight of the year was the \$140m Series C fund raise by autonomous vehicle pioneer Oxa in January 2023. The fundraising, which saw new investor Google join the share register, was the largest by a cleantech company in IP Group's history. Google and Oxa have already worked together on simulation and testing technology, and it was highly encouraging to see one of the world's most valuable technology companies take a stake in one of our cleantech assets. Another highlight was electrolyser company Hysata achieving its Series A technical milestone months ahead of schedule, triggering the second tranche of its oversubscribed £24m Series A. The technical progress was impressive with Hysata demonstrating stacks operating at the same exceptionally high 95% efficiency as the single cell experiment reported in Nature in 2021. Hysata subsequently launched its Series B funding round, achieving a first close in January 2023, supported by both Kiko and IP Group Australia. The round achieved a significant uplift to the Series A, reflecting the impressive technical progress made by the company. This resulted in a fair value gain of £46.5m. It is encouraging to see large up-rounds in our cleantech companies against a backdrop of falling valuations in the wider venture ecosystem.

Earlier-stage assets were also successful in fund raising with Oxford spin-outs OxCCU and Mixergy both raising up-rounds. In May, OxCCU, which has breakthrough technology for the synthesis of sustainable aviation fuels (SAFs), raised an oversubscribed £18m

Series A. The round was led by well-established US cleantech VC Clean Energy Ventures and was their first investment in a UK company. In January, smart home heating company Mixergy completed a £9m Series B raise, led by OSE, with new investors Nesta and EDP Ventures joining the share register. Mixergy has continued to make good progress and has doubled revenue each year for the past three years. In addition to the four new investments made in 2022, the team completed one new investment in 2023 into smart home energy pioneer Tado°. Tado° is the European leader in smart home energy technology and its smart thermostats, protected by a strong patent portfolio, lead to reductions in home energy costs of 22% on average. The company's offerings are particularly welcome and impactful at the current time of high energy prices and it has now sold a total of 3 million thermostats. Kiko jointly led a €43m funding round in January 2023 to help the company expand its offering into home energy management, combining its thermostats with time-of-use energy tariffs.

In less welcome news, First Light Fusion has not yet completed its Series C funding round, which was planned to conclude in 2023, leveraging momentum following its fusion result in 2022. While there is still activity in the fusion funding market, there has been a decline in multi-hundred-million funding rounds like those seen in 2021 and targeted by First Light. Given this delay to funding and the change to fusion market sentiment, we have carried out a re-evaluation of our holding in First Light using expert third party input. This has led to a reduction in our holding value of £49.6m. Following the announcement this year of further improvement to net positive gain achieved at the National Ignition Facility lab in the US, there is growing interest in inertial confinement fusion (ICF) technology, as pursued for commercialisation by First Light. The company recently entered into a technology collaboration on ICF with the Sandia federal lab in the US giving access to the Z-machine, the world's most powerful pulse power driver. First Light is the first privately-funded fusion company to fire a shot on the Z-machine and its amplifier technology enabled a new pressure record to be set for the facility.

We have also continued to build the ecosystem around the Kiko brand with a wide range of speaking and clean energy innovation engagement policy activities. As one of the founders of Cleantech for UK, a new cleantech policy initiative, backed by Bill Gates' Breakthrough Energy Ventures, Kiko helped convene a total of £6bn of funds to support the initiative. Cleantech for UK aims to promote UK cleantech champions, drawing on the country's world-class research facilities and investor base, and was launched at Imperial College in February at an event attended by Bill Gates and the Prime Minister. We continue to be a member of the leading energy think tank, the Energy Transitions Commission (ETC), which published an assessment of the role of fossil fuels in the transition ahead of the UN climate change conference COP28 in Dubai. Our view of the COP28 outcome was that the acknowledgement of the need to transition away from fossil fuels represents an important step in the right direction. ETC analysis shows that coal use can and must fall by 85% by 2050, gas by 70% and oil by 95% in order to meet the UN climate goals of limiting global heating to safe levels. The agreements to triple renewables and double the rate of energy efficiency improvement also follow longstanding ETC recommendations. Despite wider headwinds in the venture ecosystem, the need for clean energy technology remains clear and was reiterated at COP28.

Portfolio review: Platform Investments

IP Group's Platform Investments portfolio comprises holdings in two companies and three interests in Limited Partnerships, valued at £90.8m at 31 December 2023.

The Platform Investments portfolio contains holdings in funds and companies that operate in a similar way to IP Group, most significantly our interest in our US platform, managed by Longview Innovation, Oxford Science Enterprises Limited, Cambridge Innovation Capital Limited, and the UCL Technology Fund in all of which IP Group was a founding investor.

Company name	Description	Group Stake at 31 December 2023 %	Net investment/ (divestment) £m	Unrealised and realised fair value movement £m	Fair value of Group holding at 31 December 2023 £m
US platform (managed by Longview Innovation)	Commercialising world class research in the US	58.1	8.1	(42.1)	46.0
Interest in UCL Technology Fund L.P.	Commercialising world class research from UCL	46.7	0.8	3.0	20.7
Oxford Science Enterprises plc	University of Oxford preferred IP partner under 15-year framework agreement	1.8	—	(2.3)	18.3
Other companies (2 companies/LPs)			(0.7)	0.3	5.8
Total			8.2	(41.1)	90.8

Having been unable to secure additional significant funding from third parties other than \$10m which the Group committed in 2022, Longview Innovation has taken proactive steps to focus its resources on a smaller number of its most promising portfolio companies, resulting in a rationalisation of the portfolio and a corresponding portfolio fair value reduction of £42.1m.

Portfolio review: Additional Analysis

Number of investments by sector

Sector	As at 31 December 2023		As at 31 December 2022	
	Number	%	Number	%
Healthier future: Life sciences (ex-ONT)	32	37%	38	40%
Healthier future: Life sciences (ONT)	1	1%	1	1%
Tech-enriched future: DeepTech	32	37%	34	36%
Regenerative future: Cleantech (Kiko Ventures)	16	19%	15	16%
Platform investments	10	5	7	7%
Total number of portfolio investments ¹	86	100%	95	100%

¹ Excludes *de minimis* holdings, which have a small value to the Group and are not actively managed to the same extent as core holdings

Number of Investments

	United Kingdom	North America	Australia & New Zealand	Total
1 January 2023	81	1	13	95
Additions	1	–	2	3
Exited & acquired	(1)	–	–	(1)
Being closed/liquidated	–	–	(1)	(1)
Reclassified to <i>de minimis</i> ¹	(6)	–	(4)	(10)
31 December 2023	75	1	10	86

¹ De minimis holdings have a small value to the Group and are not actively managed to the same extent as core holdings, and are accordingly not included in the stated number of companies

Co-investment analysis

Including the £73.2m of capital invested by the Group, the Group's portfolio raised £667m during 2023 (2022: £1.0bn). Co-investment from parties or funds with a greater than 1% shareholding in IP Group plc totalled £1.0m (2022: £24.9m). An analysis of this co-investment by source is as follows:

Portfolio capital raised	2023		2022	
	£m	%	£m	%
IP Group ¹	73.2	11%	89.8	9%
IP Group managed funds ²	12.9	2%	35.6	4%
IP Group plc shareholders (>1% holdings)	1.0	0%	24.9	2%
Institutional investors	317.7	48%	249.7	25%
Corporate, other EIS, individuals, universities and other	262.2	39%	364.0	35%
Capital into multi-sector platforms	–	0%	250.0	25%
Total	667.0	100%	1,014.0	100%

1 Reflects primary investment only; during 2023 the Group invested £nil via secondary purchase of shares (2022: £3.7m).

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

Portfolio funding position

The following table lists information on the expected cash-out dates for portfolio companies IP Group's investment holding value is greater than £4m.

Company name	Fair value of Group holding at 31 December 2023 £m	%
Funded to breakeven	345.8	35%
2024 H1	69.8	7%
2024 H2	57.7	6%
2025	410.8	41%
2026	104.2	10%
2027	10.7	1%
Total companies > £4m value	999.0	100%
Companies < £4m value	75.1	
Interest in Limited Partnerships and Platforms	90.8	
Total portfolio	1,164.9	

FINANCIAL REVIEW

"We continue to navigate carefully through difficult markets. With £227m gross cash and only 13% of our portfolio needing to raise money in 2024, we are well-positioned for an improvement in investor appetite."

David Baynes, Chief Financial and Operating Officer

- Loss for the period of (£174.4m) (2022: loss of £344.5m)
- Net assets were £1,190.3m (2022: £1,376.1m)
- Net assets per share were 114.8p (2022: 132.9p)
- Final 2022 dividend of 0.76pps and 2023 interim dividend of 0.51pps paid in period, taking total cumulative dividends and share buy-backs since 2021 to over £75m
- £60m second tranche of long-term private loan notes drawn

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

	Year ended 31 December 2023 £m	Year ended 31 December 2022 £m
Net portfolio (loss) ¹	(160.5)	(309.1)
Net overheads ²	(22.1)	(20.2)
Administrative expenses – consolidated portfolio companies	-	(0.1)
Administrative expenses –share-based payments charge	(2.6)	(2.9)
Carried interest plan provision credit /(charge)	4.7	(12.0)
Net finance income	4.2	0.8
Taxation	1.9	(1.0)
Loss for the year	(174.4)	(344.5)
Other comprehensive (expense)/income	(0.4)	0.5
Total comprehensive loss for the year	(174.8)	(344.0)
<i>Exclude:</i>		
Share-based payment charge	2.6	2.9
Return on NAV¹	(172.2)	(341.1)

¹ Defined in note 29 Alternative Performance Measures.

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

Net portfolio gains/(losses) consist primarily of realised and unrealised fair value gains and losses from the Group's equity and debt holdings in portfolio companies.

Fair value movements

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

	2023 £m	2022 £m
Quoted equity & debt investments	(31.8)	(428.5)
Private equity & debt investments	(83.8)	101.4
Investments in Limited Partnerships	(36.5)	(6.4)
Foreign exchange movements	(8.4)	24.4
Net portfolio losses	(160.5)	(309.1)

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

Gains	£m	Losses	£m
Hysata Pty Ltd	46.5	First Light Fusion Limited	(49.6)
Centessa Pharmaceuticals plc	9.7	Platform (managed by Longview Innovation)	(39.8)
Featurespace Limited	8.8	Oxford Nanopore Technologies plc	(31.9)
Autifony Therapeutics Limited	6.1	Hinge Health, Inc.	(17.8)
Pulmocide Limited	5.0	Akamis Bio Limited	(15.9)
Apollo Therapeutics Group Limited	3.3	Oxular Limited	(14.1)
Other quoted	1.2	Other quoted	(10.8)
Other private	22.8	Other private	(75.7)
Foreign exchange	0.1	Foreign exchange	(8.5)
Total	103.5	Total	(264.1)

Net overheads

	Year ended 31 December 2023 £m	Year ended 31 December 2022 £m
Other income	5.9	7.1
Administrative expenses – all other expenses	(25.8)	(24.3)
Administrative expenses – annual incentive scheme	(2.6)	(3.0)
Net overheads	(22.5)	(20.2)

Other income

Other income comprises fund management fees and licensing and patent income. In 2023 other income totalled £5.9m (2022: £7.1m), a decrease from 2022, primarily due to a £0.6m decrease in revenues from the Group's patent and license portfolio, and a £0.4m reduction in corporate finance fees due to our decision to largely cease this activity.

Other central administrative expenses

Other central administrative expenses, excluding performance-based staff incentives and share-based payments charges, have increased by £1.6m from the prior year to £25.8m (2022: £24.3m) as a result of increases in non-staff cost across a number of expense categories.

The charge of £2.6m (2022: £3.0m) in respect of the Group's Annual Incentive Scheme, reflects a provisional assessment of performance against 2023 AIS targets which include Group, Team, and Individual performance elements as described in the Directors Remuneration Report.

Other income statement items

The share-based payments charge of £2.6m (2022: £2.9m) reflects the accounting charge for the Group's Restricted Share Plan, Long-Term Incentive Plan and Deferred Bonus Share Plan. This non-cash charge reflects the fair value of services received from employees, measured by reference to the fair value of the share-based payments at the date of award, but has no net impact on the Group's total equity or net assets.

Carried interest plan charge

The carried interest plan credit of £4.7m (2022: £12m charge) relates to the recalculation of liabilities under the Group's carry schemes, with the credit in the year reflecting this year's reduction in value of assets within the scheme. As at 31 December 2023, 70% by value of the Group's equity & debt investments were included within carry scheme arrangements (2022: 67%). The liabilities are calculated based upon any excess of current fair value above cost and hurdle rate of return within each scheme or vintage. Any payments will only be made following the full achievement of cost and hurdle via cash realisations and are only paid on the event of a cash realisation.

Consolidated statement of financial position

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

	Year ended 31 December 2023 £m	Year ended 31 December 2022 £m
Portfolio	1,164.9	1,258.5
Other non-current assets	10.2	7.7
Other net current assets/(liabilities)	(7.5)	33.2
Cash and deposits	226.9	241.5
Borrowings	(135.2)	(81.4)
Other non-current liabilities	(69.0)	(83.4)
Total Equity or Net Assets ("NAV")	1,190.3	1,376.1
NAV per share	114.8p	132.9p

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

Portfolio valuations

Given the public market valuation reductions in the year and slowdown in private company fundraise activity, we have carried our year-end private portfolio valuations against a backdrop of heightened valuation uncertainty. As a response, we have carried out an enhanced valuation process in the period, including obtaining external valuations for eleven (2022: ten) of our largest private assets (Istesso, Featurespace, Oxa, First Light Fusion, Hinge Health, Ultraleap, Ieso Digital Health, Artios Pharma, Mission Therapeutics, Akamis Bio and MOBILion) accounting for 46% (2022: 44%) of the private portfolio value.

In the case of Featurespace, our third-party valuers recommended an increase in valuation in the year, because of strong performance against milestones. In the case of First Light Fusion, Hinge Health, Ultraleap, Ieso Digital Health and Mission Therapeutics they recommended a reduction in our carrying values, reflecting the impact of reduced public market valuations the more challenging fundraise environment and company-specific performance. Valuations of Istesso, Oxa, MOBILion and Artios Pharma were broadly unchanged. In all cases, our carrying values reflect the mid-point or below of the valuation ranges we received from our external valuation consultants.

Although we saw an increase in the proportion of down rounds within our portfolio (i.e. where a funding round is agreed at a lower valuation than the previous funding round price), most of our portfolio fundraises were at higher valuations than the previous funding round. An analysis of funding rounds within our portfolio is as follows:

Analysis of priced funding rounds in private portfolio

	Year ended 31 December 2023		Year ended 31 December 2022	
	No.	%	No.	%
Up round	13	62%	18	62%
Flat round	3	14%	8	28%
Down round	5	24%	3	10%
Total	21	100%	29	100%

The above table reflects priced funding rounds in the private portfolio (excluding organic and de minimis companies) and excludes debt funding and funding transactions where a subsequent tranche is drawn based on pre-agreed pricing.

Most of our portfolio remains well funded, with many of our more mature companies evidencing commercial progress or anticipating technical or funding milestones in the next 12-24 months, therefore we remain confident around the resilience of our portfolio.

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

	Year ended 31 December 2023 £m	Audited Year ended 31 December 2022 £m
Quoted	203.8	228.7
Financing transaction (<12 months)	187.9	289.8
Financing transaction (>12 months)	162.7	117.8
Other: Future market/commercial events	25.0	40.7
Other: Adjusted financing price based on past performance – upwards	99.9	151.8
Other: Adjusted financing price based on past performance – downwards	203.9	154.5
Other: Discounted cash flow (DCF)	126.6	97.7
Other: Revenue multiple	85.4	77.9
Statements from LP	69.7	99.6
Total Portfolio	1,164.9	1,258.5

Further context: Parkwalk portfolio valuations

Thirteen portfolio companies closed funding rounds at uplifts in valuation, six unchanged and nine at lower valuations than the previously held value.

Other assets

The majority of other long-term and short-term assets relate to amounts receivable on sale of equity and debt investments, representing deferred and contingent consideration amounts to be received in more than one year. Property, plant and equipment includes the lease asset relating to the Group's Kings Cross head office, which increased in the period due to an extension of the lease.

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

Borrowings

On 2 August 2022, the Group signed a Note Placing Agreement ("NPA") to issue a £120m debt private placement to London-based institutional investors (primarily Phoenix Group). £60m of this was drawn in December 2022 and the balance was drawn in June 2023, with three equal repayment maturities in December in 2027, 2028 and 2029. The interest rate is fixed at an average of 5.25%. Approximately £15m of the proceeds were used to repay early the shorter-dated portion of our EIB debt, leaving £15.6m of EIB debt to be progressively repaid between now and January 2026 (£6.3m of the EIB debt will be repaid within twelve months of the period end).

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

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

Cash and deposits

At 31 December 2023, the Group's cash and deposits totalled £226.9m, a decrease of £14.6m from a total of £241.5m at 31 December 2022, predominantly due to outflows from portfolio investment of £73.2m, a £19.3m net cash outflow from operations, £13.1m of dividend payments and share buy-backs, offset by net drawdown of debt of £53.8m and realisations of £38.6m.

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

	Year ended December 2023 £m	Year ended 31 December 2022 £m
Net cash (used) in operating activities	(19.3)	(24..3)
Investments	(73.2)	(93.5)
Realisations	38.6	28.1
Other investing	(0.6)	(0.3)
Interest received on deposits	4.1	–
Net cash (outflow) from investing activities	(31.1)	(65.7)
Dividends paid	(13.0)	(12.3)
Purchase of treasury shares	(0.1)	(8.0)
Interest paid	(5.5)	–

Repayment of debt facility	(6.2)	(30.4)
Drawdown of loan notes	60.0	60.0
Other financing activities	(0.5)	(0.5)
Net cash inflow from financing activities	34.7	8.8
Effect of foreign exchange rate changes	(0.2)	–
Movement during period	(14.5)	(80.4)

Investments and realisations

The Group invested a total of £73.2m across 33 portfolio companies during the year (2022: £93.5m; 46), and realised cash proceeds of £38.6m (2022: £28.1m).

Largest investments and realisations by portfolio company:

Investments	£m	Cash Realisations	£m
Istesso Limited	15.0	Wave Optics Limited	30.8
US platform (managed by Longview Innovation)	8.1	Zihipp Limited ¹	3.4
Hysata Pty Ltd	4.7	Reinifer Limited	1.5
Tado GmbH	4.4	UCL Technology Fund L.P.	0.9
Mission Therapeutics Limited	3.9	Cambridge Innovation Capital Limited	0.7
Other	37.1	Other	1.3
Total	73.2	Total	38.6

1. Plus, deferred consideration valued at £1.5m (2022: £nil)

Deferred consideration estimated at £9.1m was outstanding at year end (2022: £48.2m), relating to the Group's realisation of Enterprise Therapeutics (£7.6m, exited in 2020) and Zihipp Limited (£1.5m, exited in 2023).

Treasury policy

It remains the Group's policy to place cash that is surplus to near-term working capital requirements on short-term and overnight deposits with financial institutions that meet the Group's treasury policy criteria or in low-risk treasury funds rated prime or above. The Group's treasury policy is described in detail in note 2 to the Group financial statements alongside details of the credit ratings of the Group's cash and deposit counterparties. On 31 December 2023, the Group had a total of £0.1m (2022: £0.1m) held in US Dollars, £nil (2022: £nil) held in Euros, £0.8m (2022: £0.7m) held in Australian Dollars and £0.9m (2022: £0.7m) held in Hong Kong Dollars

Dividend and share buyback

As announced in the Group's half-yearly results, an interim 2023 dividend of 0.51p per ordinary share was paid in September 2023, totalling £5.3m.

On 18 December 2023 the Group announced that, in light of the prevailing discount between the Company's share price and its NAV per share, it had initiated a share buyback of up to £20m. The Board remains committed to making regular cash returns to shareholders from realisations. In future these regular cash returns will normally be made in the form of share buybacks when the share price discount to NAV exceeds 20%. Regular dividend payments will be suspended under such conditions, including consideration of any final dividend for 2023.

Taxation

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

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

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

Alternative Performance Measures ("APMs")

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

RISK MANAGEMENT

Managing risk: our framework for balancing risk and reward

Governance

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

Risk management process

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

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

The risk management activity in 2023 included updating the Group's risk appetite statements and key risk indicators, refreshing the Group's existing operational, strategic and principal risk registers, performing a full refresh of the key controls and an assessment of the strategic risks and the appropriateness of our principal risks via executive team and Board risk workshops.

Risk Council activity

During 2023, the Risk Council continued to build on the Group's existing risk management framework, enhancing risk management and internal control processes and working with PwC in an outsourced internal audit capacity and, in doing so, supported the Board in exercising its responsibility surrounding risk management.

While awaiting further updates with detail of the exact requirements and confirmed dates in relation to the proposed legislation and updates to the UK Corporate Governance Code outlined in the BEIS response statement in June 2022, the Risk Council considered an existing programme of 'no-regrets' workstreams identified in a previous scoping review which would support the Group's transition to the expected internal controls regime once announced in H1 2023. This included a financial reporting focused 'record to report' review, an entity level controls review and a treasury controls review to identify and remediate any controls gaps to the expected standard. The Risk Council reviewed a consultation on proposed changes to the UK Corporate Governance Code released in May and facilitated the Group's response to the FRC's consultation with input from Executive and Non-Executive Directors, Company Secretary and People Director. The Risk Council reviewed the proposed changes to the Code and considered an appropriate implementation timeline and resourcing plan to meet the flagged effective date and continue to update our plans in light of emerging guidance. The Risk Council will review the final changes and associated guidance once published and reconsider its existing implementation plan.

The Group adopted a 'Cyber Response Guide' and 'Strategic Ransomware Response Playbook' in 2021 which details how the Group would respond to a cyber crisis addressing the threat that cyber attacks now pose to businesses in every sector. In 2023, the Risk Council onboarded senior external communications support to provide strategic level support and additional resources to supplement a crisis scenario in the future, a 'Crisis Communications Manual' was developed as part of this workstream training was provided to the relevant individuals within the Group. The Risk Council also updated all existing policies, procedures and reference materials and provided refresher training to all staff on plans in place at the Group to respond to a cyber attack, support available, examples of what a ransomware attack might look like and the appropriate steps to take if they identify signs of a compromise. The Risk Council held two communications-focused scenario-based training sessions with the internal and external communications teams and Silver Response Team (SRT) Chair in the year and held an externally facilitated cyber crisis simulation for all members of the SRT including external legal and communications supports. The Risk Council received a formal report from the Baker Mackenzie team who facilitated the all-parties training session noting multiple effective procedures were in place to respond to issues raised in the training scenario, which the SRT were obviously familiar with, excellent engagement from the SRT and other attendees, demonstration of good awareness of many cybersecurity issues and also noted a common-sense approach to responding to complex issues raised and considered practical ways to minimise effects and severity of the simulated cyber attack scenario. Areas for improvement were also identified and the Risk Council is leading the implementation of the actions identified which are expected to supplement current procedures in place.

Other projects in the year included:

- Monitoring the set-up of an RMB fund from ICCV,

- The Group’s joint venture with China Everbright, to be operated by the Group’s Hong Kong subsidiary and obtaining the requisite licencing authorities from the local regulator to allow this activity,
- Reviewing risk management disclosures in the Annual Report and Accounts,
- Updating the Group’s Business Continuity Plans,
- Monitoring training and testing completion rates by employees,
- Testing of key controls over the Group’s principal risks,
- Monitoring key risk indicators,
- Performing a control investment review to ensure the desired levels of controls agreed by the Board were in place,
- Continued monitoring of internal audit remediation points,
- Monitoring progress of the Risk Council against its agreed objectives,
- Reviewing a cyber compliance monitoring programme,
- Providing project management support to the ARC in relation to the audit tender process,
- The launch of a formal compliance-focused onboarding programme for new joiners,
- Monitoring of the Group’s conflicts procedures,
- Considering the Group’s relevant fraud risk categories alongside their relevant controls and potential likelihood and impact
- Continued communication of key outputs of the risk management programme to operational business heads and the wider employee group.

Internal audit reviews were conducted over the following areas:

- (i) Cybersecurity review: an ‘ethical hacking’ type review which consisted of a time-bound collaborative assumed compromise assessment across all IT infrastructures in operation across the Group;
- (ii) Investment process review: a review of the investment approval process in the Group’s Australian business which considered:
 - (a) Due diligence and risk assessment,
 - (b) Review, approval and execution of investment documentation
 - (c) Regulation and compliance
- (iii) ESG review: a review of high-level governance arrangements surrounding internal and external ESG reporting and processes related to data collection and monitoring to inform internal and external ESG reporting.

Priorities for 2024 include further business reviews by the internal audit function, review of the finalised UK Governance Code and associated preparation for updated internal controls requirements, delivering training and scenario-based testing programmes for operational resilience workstreams, and continued enhancement of Group risk reporting and communication across the business. We continue to monitor the impact of the ongoing wars in Ukraine and the Middle East, heightened geopolitical tension, supply chain disruption, inflation and interest rate trends, elevated levels of the cost of living and volatile capital markets and note the greatest impact to the Group has been the marked decline in the valuation of technology and Life Sciences sector listed companies, which we consider heighten our principal risks of macroeconomic environment and access to capital risks.

Emerging risk

The Group’s management and Board regularly consider emerging risks and opportunities, both internal and external, which may affect the Group in the near, medium, and long term. The Board considered this subject in detail at its annual risk workshop at the Board Strategy Day in October and continue to consider emerging risks throughout the year. Set out below are examples of some of the potential emerging risks that are currently being monitored by management and the Board:

Near term	Medium term	Longer term
ECONOMIC AND GEOPOLITICAL UNCERTAINTY War in Europe and the Middle East is impacting cost of raw materials and potentially global inflation and there is considerable uncertainty over policymaking given that eight of the ten most populous countries in the world are expected to hold elections in 2024. Despite interest rate increases across the world in 2023 the global economy has shown considerable resilience and the IMF currently forecast global growth for 2023 to be 3% and predict a similar level of expansion in 2024. However, capital market volatility has persisted and continues to impact growth and technology stocks such as IP Group and its portfolio.	GLOBAL GOVERNMENT SPENDING ON HEALTHCARE AND DRUG DEVELOPMENT Government spending on new healthcare technology, drug development and related regulators and investment policy decisions would impact the speed of progress for the industry as a whole which could encourage more financial and human capital to the sector and ultimately there would be a greater opportunity for meaningful impact for all participants including investors such as the Group and its stakeholders.	CLIMATE CHANGE TRANSITION AND TECHNOLOGY RISKS Transition risks can occur when moving towards a less polluting, greener economy. Such transitions could mean that the Group could face higher costs of doing business for example; new climate-related legislation, regulations and reporting requirements, such as TCFD and SECR reporting, will pose additional costs as the Group seeks to manage these risks by investing additional resources to ensure compliance. Climate change continues to be a key concern of the Group and its stakeholders. IP Group invests in technology that has the potential to have positive impacts on the environment and the Group is well positioned to take advantage of the changing preferences of governments, businesses and individuals.
NEW CYBER, IT SECURITY AND AI THREATS	COMPETITION AND THE USE OF AI TOOLS	

Cyber and IT security continue to be areas of risk for the Group and its portfolio which could be targets for hackers or competitors and the regulatory landscape, which is evolving rapidly around data security and the increasing powers of regulators to impose significant fines on companies who inadvertently breach legislation such as GDPR. The industry saw the exponential rise in AI-based threats in 2023 with increasing levels of sophistication available to bad actors to launch more sophisticated cyber attacks. The Group continued to invest in mitigating controls, regular staff training and cyber incident exercising to support our response to this risk area.	AI tools could be used more effectively by competitors increasing competition for deals and driving up valuations or be used incorrectly leading to bias in decision making.	In addition, IP Group reported against the TCFD recommendations in monitoring risks and opportunities to the business as presented by climate change.
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Summary of principal risks and mitigants

A summary of the principal risks affecting the Group and the steps taken to manage these is set out below. Further discussion of the Group’s approach to principal risks and uncertainties is given in the Corporate Governance Statement and in the Audit and Risk Committee report, while further disclosure of the Group’s financial risk management is set out in note 3 to the consolidated financial statements. Following the 2023 annual review process, the heatmap below describes the relative potential risks posed by each of the Group’s identified principal risks i.e. how the principal risks are ranked against each other.

Consideration of risk appetite

The Group accepts that certain risks are inherent in achieving its strategic aims, which are set out in the strategy section of the report. The Group accepts risk only as it is consistent with the Group’s purpose and strategy and where they can be appropriately managed and offer a sufficient risk/reward balance. The Board has determined its risk appetite in relation to each of its principal risks and considered appropriate metrics to monitor performance relative to defined thresholds.

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

RISK APPETITE RATINGS DEFINED:

Very low

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

Low

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

Balanced

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

High

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

Very high

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

RISK MANAGEMENT.

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

LINK TO STRATEGY	ACTIONS TAKEN BY MANAGEMENT	RISK APPETITE
Access to sufficient levels of capital allows the Group to invest in its investment assets, develop early-stage investment opportunities and invest in its most exciting companies to ensure attractive future financial returns. 3 4	- The Group has significant balance sheet capital and managed funds capital to deploy in portfolio opportunities - The Group regularly forecasts cash requirements of the portfolio and ensures capital allocations are compliant with budgetary limits, treasury and capital allocation policies and guidelines and transaction authorisation controls - The Group ensures that minimum cash is available to maintain sufficient headroom over debt covenants and regulatory capital requirements	Low

EXAMPLES OF RISK	DEVELOPMENT DURING THE YEAR	CHANGE FROM 2022
- The Group may not be able to provide the necessary capital to key priority assets, which may affect the portfolio companies' performance or dilute future returns of the Group - The Group may not be able to realise capital from its portfolio to fund the desired level of investment activity in the portfolio	- The Group appointed a Managing Director of Global Capital in January 2023 to develop greater levels of access to strategic third-party capital - The Group's share price continued to trade below NAV during the year. - A sub-group of the Executive Committee met regularly throughout the year to oversee workstreams focused on narrowing the gap between NAV and the share price - Cash proceeds totalled £38.6m in 2023 - Capital allocation group met monthly in 2023 in response to the volatile capital market environment and we continue to develop the capital allocation process to support optimal decision making - The quoted portfolio value reduced by £32.4m in the year	No change

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

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

LINK TO STRATEGY	ACTIONS TAKEN BY MANAGEMENT	RISK APPETITE
Access to sufficient levels of capital allows the Group's portfolio companies to invest in- technology and commercial opportunities to ensure future financial returns. 3 4	- The Group operates a corporate finance function, which is experienced in carrying out fundraising mandates for portfolio companies - The Group maintains close relationships with a wide variety of co-investors that focus on companies at differing stages of development - The Group regularly forecasts cash requirements of the portfolio and monitors those with a heightened funding risk - Parkwalk Advisors continue to have independent investment decision making and is anticipated to continue to be an important co-investor with the Group, supporting shared portfolio companies	Low

EXAMPLES OF RISK	DEVELOPMENT DURING THE YEAR	CHANGE FROM 2022
The success of those portfolio companies that require significant funding in the future may be influenced by the market's appetite for investment in early-	IP Group hosted a flagship "scale it up" investor event at London's Science Museum and included a panel discussion on how best the UK can support more innovation which showcased seven of the Group's most exciting companies and was attended by over 180 guests.	No change

- stage companies, which may not be sufficient - Failure of companies within the Group's portfolio may make it more difficult for the Group or its spin-out companies to raise additional capital	- IP Group hosted two portfolio company events in 2023 to showcase the Group's portfolio companies. These included an in-person Deeptech event to showcase recent portfolio company performance and key focus areas for investment and an in-person Life Sciences investor update outlining key value inflection points for the portfolio over the next 12–18 months and included presentations from Genomics plc and Oxford Nanopore Technologies plc CEOs - Increased number of targeted international investor roadshows in the year in the US, UK, EU and Middle East - Continued management of an A\$310m trust and a separate mandate for an Australian Super Fund which has a mandate to co-invest with IP Group plc portfolio companies. In the year, six Group portfolio companies received funding from these investment vehicles. Total assets at the year end for the managed trust plus undrawn commitments totalled A\$307m - Obtained regulatory permissions in Hong Kong for a licence to raise capital from Hong Kong in the year - Parkwalk raised £32m in 2023 and had total AUM of £469m at the end of 2023 and obtained full-scope AIFM permissions from the FCA allowing the firm to manage greater levels of third-party capital	
3 The returns and cash proceeds from the Group's early-stage companies may be insufficient	Early-stage companies typically face a number of risks, including being unable to secure later rounds of funding at crucial development inflection points, being unable to source or retain appropriately skilled staff, competing technologies entering the market, technology can be materially unproven and may ultimately fail, IP may be infringed, copied or stolen, may be more susceptible to cybercrime and other administrative, taxation or compliance issues. These factors may lead to the Group not realising a sufficient return on its invested capital at an individual company or overall portfolio level. At the portfolio level, a reduction in NAV and realisation potential could impact shareholder returns or negatively impact specific strategic initiatives.	
LINK TO STRATEGY	ACTIONS TAKEN BY MANAGEMENT	RISK APPETITE
Uncertain or insufficient cash returns could impact the Group's ability to deliver attractive returns to shareholders when our ability to react to portfolio company funding requirements is negatively impacted or where budgeted cash proceeds are delayed.	- The Group's employees have significant experience in sourcing, developing and growing early-stage technology companies to significant value, including use of the Group's systematic opportunity evaluation and business building methodologies within delegated board authorities - Members of the Group's investment partnership teams typically serve as non-executive directors or advisors to portfolio companies to help identify and remedy critical issues - The Group has portfolio company holdings across different sectors managed by experienced sector-specialist teams to reduce the impact of a single company failure or sector decline - The Group maintains significant cash balances and seeks to employ a capital efficient process deploying low levels of initial capital to enable identification and mitigation of potential failures at the earliest possible stage	Balanced
3 4		
EXAMPLES OF RISK	DEVELOPMENT DURING THE YEAR	CHANGE FROM 2022
- Portfolio company failure directly impacts the Group's value and profitability - At any time, a large proportion of the Group's portfolio may be accounted for by very few companies, which could exacerbate the impact of any impairment or failure of one or more of these companies - The value of the Group's drug discovery and development portfolio companies may be	- The Group's portfolio companies raised approximately £655m of capital in 2023 - Excluding the Oxford Nanopore holding, the Group held board seats on 89.5% of portfolio companies valued at greater than £5m by value - The Group hired four investment professionals across the UK Deeptech and Cleantech teams, one investment professional at Parkwalk Advisors and one investment professional in the Australian Physical Sciences team in 2023. Two investment professionals left the business, of which one took up a senior role at an IP Group portfolio company	No change

significantly impacted by a negative clinical trial result

- Cash realisations from the Group's portfolio through trade sales and IPOs could vary significantly from year to year

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

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

LINK TO STRATEGY	ACTIONS TAKEN BY MANAGEMENT	RISK APPETITE
The Group's strategic objectives of developing and supporting a portfolio of compelling intellectual property-based opportunities into robust businesses capable of delivering attractive financial returns on our assets is dependent on the Group's employees who work with the portfolio companies and those who support them. 2 4 5	• Senior team succession plans in place • Formal learning and development programme for all employees in place • The Group carries out regular market comparisons for staff and executive remuneration and seeks to offer a balanced incentive package comprising a mix of salary, benefits, performance-based long-term incentives, and benefits such as flexible working and salary sacrifice arrangements • The Group encourages employee development and inclusion through coaching and mentoring and carries out annual objective setting and appraisals • The Group promotes an open culture of communication and provides an inspiring and challenging workplace where people are given autonomy to do their jobs. The Group is fully supportive of flexible working and has enabled employees to work flexibly • An employee forum, "IP Connect" with an appointed designated Non-executive Director to facilitate dialogue with the Board in both directions. Part of IP Connect's remit is also to support the evolution of the culture and continuous improvement of working life at the Group • An inclusion and diversity committee the "ID Project", sponsored by the CEO is in place to support an inclusive environment to work	Low

EXAMPLES OF RISK	DEVELOPMENT DURING THE YEAR	CHANGE FROM 2022
• Loss of key executives and employees of the Group or an inability to attract, retain and integrate appropriately skilled and experienced employees could have an adverse effect on the Group's competitive advantage, business, financial condition, operational results and future prospects	• Continued excellent employee engagement (net promoter) scores obtained in the year from employee engagement surveys • Continued to dedicate senior team time and resources to the development of the Group's inclusion and diversity programme, the ID Project. Progress against key IDP Masterplan objectives and a firmwide inclusive communications training was provided to all employees in 2023 • More than 90% of employees attended a L&D programme sponsored training course • Continued high frequency of employee communications from Executive Directors and the Head of HR via regular virtual and in-person all-staff meetings • The labour market was resilient in 2023 however quit rates, a key feature of tight pandemic labour markets are now thought to be below 2019 levels. This, alongside moderated labour market demand in response to the weakened economic activity globally means that while talent acquisition and retention is still competitive the impact of the wider market has reduced this risk somewhat for the Group • Unplanned staff attrition was 2% • Approximately 59% of employees have been with the Company for at least five years	No change

5 Macroeconomic conditions may negatively impact the Group's ability to achieve its strategic objectives	Adverse macroeconomic conditions could reduce the opportunity to deploy capital into opportunities or may limit the ability of such portfolio companies to receive third-party funding, develop profitable businesses or achieve increases in value or exits. Political uncertainty, including impacts from Brexit, the COVID-19 pandemic or similar scenarios, could have a number of potential impacts, including global conflicts impacting the cost of raw materials required by portfolio companies, changes to the labour market available to the Group for recruitment or regulatory environment in which the Group and its portfolio companies operate.
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LINK TO STRATEGY	ACTIONS TAKEN BY MANAGEMENT	RISK APPETITE
The Group's strategic objectives of developing a portfolio of commercially successful portfolio companies and delivering attractive financial returns on our assets and third-party funds can be materially impacted by the current macroeconomic environment.	- Senior management receive regular capital market and economic updates from the Group's capital markets team and its brokers - Monthly capital allocation process and on-going monitoring against agreed budget - Regular oversight of upcoming capital requirements of portfolio from both the Group and third parties - The Group's Risk Council monitors key macroeconomic trends that may impact the Group	High
3		

EXAMPLES OF RISK	DEVELOPMENT DURING THE YEAR	CHANGE FROM 2022
- The success of those portfolio companies that require significant external funding may be influenced by the market's appetite for investment in early-stage companies, which may not be sufficient - Of the Group's portfolio value, 17.5% is held in companies quoted on public markets and decreases in values to these markets could result in a material fair value impact to the portfolio as a whole	- Macroeconomic and geopolitical conditions remain uncertain in the UK. Inflation in the UK fell in 2023 to 4.0% and interest rate rises were seen across the UK, Eurozone, US and elsewhere, ending an era of low interest rates. In early 2024 the market is anticipating moderate decreases to interest rates in the short term however the expectation is that interest rates will not revert to the lower interest rates experienced in the recent past - Russia's invasion of Ukraine continued in the year and conflict in the Middle East began in Q4 - The Group has maintained significant cash reserves available for investment and as such is well placed to respond to macroeconomic uncertainty	No change

6 There may be changes to, impacts from, or failure to comply with, legislation, government policy and regulation	There may be unforeseen changes in, or impacts from, government policy, regulation or legislation (including taxation legislation). This could include changes to funding levels or to the terms upon which public monies are made available to universities and research institutions and the ownership of any resulting intellectual property.
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LINK TO STRATEGY	ACTIONS TAKEN BY MANAGEMENT	RISK APPETITE
The Group's strategic objectives of creating and maintaining a portfolio of compelling opportunities to deliver attractive returns for shareholders could be materially impacted by failure to comply with, or adequately plan for, a change in legislation, government policy or regulation.	- University partners are incentivised to protect their IP for exploitation as the partnership agreements share returns between universities, academic founders and the Group - The Group utilises professional advisors as appropriate to support its monitoring of, and response to changes in, tax, insurance or other legislation - The Group has internal policies and procedures to ensure its compliance with applicable regulations - The Group maintains directors and officers (D&O) and professional indemnity insurance policies	Low
2		

EXAMPLES OF RISK	DEVELOPMENT DURING THE YEAR	CHANGE FROM 2022
Changes could result in universities and researchers no longer being able to own, exploit or protect intellectual property on attractive terms	- Ongoing focus on regulatory compliance, including third-party reviews and utilisation of specialist advisors - Parkwalk Advisors Ltd received regulatory permissions from the FCA in the year to allow them to increase the level of assets under management in response to their success as an EIS investment manager	No change

- Changes to tax legislation or the nature of the Group's activities, in particular in relation to the Substantial Shareholder Exemption, may adversely affect the Group's tax position and accordingly its value and operations
- Regulatory changes or breaches could ultimately lead to withdrawal of regulatory permissions for the Group's authorised subsidiaries, resulting in loss of fund management contracts, reputational damage or fines
- An application for Type 1 and Type 9 regulatory licences from the Securities and Futures Commission ("SFC") in Hong Kong was obtained in the year. The licences allow the Group's Hong Kong subsidiary to raise capital for the Group's portfolio companies and other similar companies and manage a PRC-based fund

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

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

LINK TO STRATEGY	ACTIONS TAKEN BY MANAGEMENT	RISK APPETITE
The Group's strategic objectives of creating and maintaining a portfolio of compelling opportunities to deliver attractive returns for shareholders could be materially impacted by a serious cybersecurity breach at a corporate or portfolio company level.	• The Group reviews its data and cybersecurity processes with its external outsourced IT providers and applies the UK Government's "ten steps" framework or other national equivalents where relevant • Regular IT management reporting framework in place • Internal and third-party reviews of policies and procedures in place to ensure appropriate framework in place to safeguard data • Assessment of third-party suppliers of cloud-based and on-premises systems in use • Annual Cyber and IT training is supplemented by regular bite-sized and interactive cybersecurity training • Network and infrastructure security systems to respond to emerging threats	Low

EXAMPLES OF RISK	DEVELOPMENT DURING THE YEAR	CHANGE FROM 2022
• The Group, or one, or a combination of, its portfolio companies could face significant fines from a data security breach • The Group or one of its portfolio companies could be subjected to a phishing attack, which could lead to invalid payments being authorised or a sensitive information leak • A malware or ransomware attack could lead to systems becoming non-functioning and impair the ability of the business to operate in the short term	• Ongoing focus on IT security and staff training • Continued programme of phishing and penetration testing • Implementation of additional cybersecurity systems to provide enhanced threat detection • Internal Audit completed an "ethical hacking" style review • Onboarded strategic level external communications resource to supplement response resources to a serious cyber incident • Three cyber attack simulations were undertaken in the year to allow executive management to practice their planned response to a serious cyber incident, including two externally facilitated sessions • Extensive training and testing of the Group's cyber response plans in the year	No change

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

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

LINK TO STRATEGY

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

2 5

ACTIONS TAKEN BY MANAGEMENT

- Local legal and regulatory advisors have been engaged in the establishment phase of overseas operations. International teams typically have their own in-house legal teams and regularly report to the UK-based General Counsel
- Business continuity plans are in place for the Group and tested regularly
- Our executive recruitment function and HR are involved in senior hires for new territories. Senior international personnel include current and former UK employees, encouraging a shared culture across territories
- Video conferencing supplements regular travel between the UK and other territories to ensure the Group is aligned in its strategy and culture.
- The risk management framework in place across each business unit has been established in each international territory and is integrated into the Group's regular risk management processes and reporting
- Third-party suppliers are used for international accounting and payroll services to reduce the risk of fraud within smaller teams
- The Group's Executive Committee includes senior representatives from Australia and Hong Kong. Other key committees and working groups also include team members from international offices

RISK APPETITE

Balanced

EXAMPLES OF RISK

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

DEVELOPMENT DURING THE YEAR

- Continued coordination of risk reporting across Australia, New Zealand and Hong Kong
- Hong Kong regulatory permissions obtained from local regulator and Group risk and compliance reporting programme commenced
- Reviewed disaster recovery plans in the year

CHANGE FROM 2022

No change

KEY**STRATEGIC PILLARS**

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

Viability statement

The Directors have carried out a robust assessment of the viability of the Group over a three-year period to December 2026, considering its strategy, its current financial position and its principal risks. The three-year period reflects the time horizon reviewed by the Board, and over which the Group places a higher degree of reliance over the forecasting assumptions used.

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

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

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

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

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

Based on this assessment, the Directors have a reasonable expectation that the Group will continue to operate and meets its liabilities, as they fall due, up to December 2026.

Strategic Report approval

The Strategic Report as set out above has been approved by the Board.

The financial information set out below has been extracted from the Annual Report and Accounts of IP Group plc for the year ended 31 December 2023 and is an abridged version of the full financial statements, not all of which are reproduced in this announcement. Directors' Responsibilities Statement The responsibility statement set out below has been reproduced from the Annual Report and Accounts, which will be published in April 2024, and relates to that document and not this announcement.

Each of the Directors confirms to the best of their knowledge:

- The Group financial statements have been prepared in accordance with UK-adopted International Financial Reporting Standards ("UK-adopted IFRS") and give a true and fair view of the assets, liabilities, financial position and profit and loss of the Group.
- The Annual Report and Accounts includes a fair review of the development and performance of the business and the financial position of the Group and the parent company, together with a description of the principal risks and uncertainties that they face.

On behalf of The Board

Sir Douglas Flint

Greg Smith

Chairman

Chief Executive Officer

13 March 2023

Consolidated statement of comprehensive income.

For the year ended 31 December 2023

	Note	2023 £m	2022 £m
Portfolio return and revenue			
Change in fair value of equity and debt investments	13	(110.9)	(303.4)
(Loss) on disposal of equity and debt investments	15	(10.8)	(7.8)
Change in fair value of limited and limited liability partnership interests	14	(38.8)	2.1
Revenue from services and other income	4	5.9	7.1
		(154.6)	(302.0)
Administrative expenses			
Carried interest plan credit/(charge)	23	4.7	(12.0)
Share-based payment charge	22	(2.6)	(2.9)
Other administrative expenses	8	(28.0)	(27.4)
		(25.9)	(42.3)
Operating loss	7	(180.5)	(344.3)
Finance income		9.8	2.2
Finance costs		(5.6)	(1.4)
Loss before taxation		(176.3)	(343.5)
Taxation	10	1.9	(1.0)
Loss for the year		(174.4)	(344.5)
Other comprehensive income			
Exchange differences on translating foreign operations		(0.4)	0.5
Total comprehensive loss for the year		(174.8)	(344.0)
Attributable to:			
Equity holders of the parent		(171.3)	(341.5)
Non-controlling interest		(3.5)	(2.5)
		(174.8)	(344.0)
Loss per share			
Basic (p)	11	(16.53)	(33.01)
Diluted (p)	11	(16.53)	(33.01)

Consolidated statement of financial position.

As at 31 December 2023

	Note	2023 £m	2022 £m
ASSETS			
Non-current assets			
Goodwill		0.4	0.4
Property, plant and equipment		1.4	0.4
Joint venture investment		0.6	-
Portfolio:			
Equity investments	13	1,011.5	1,120.8
Debt investments	13	83.7	38.1
Limited and limited liability partnership interests	14	69.7	99.6
Receivable on sale of debt and equity investments	15,17	7.8	6.9
Total non-current assets		1,175.1	1,266.2
Current assets			
Trade and other receivables	16	8.2	8.8
Receivable on sale of debt and equity investments	15,17	1.4	41.3
Deposits	3	126.0	152.8
Cash and cash equivalents	3	100.9	88.7
Total current assets		236.5	291.6
Total assets		1,411.6	1,557.8
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Called up share capital	21	21.3	21.3
Share premium account		102.5	102.5
Retained earnings		1,075.6	1,257.9
Total equity attributable to equity holders		1,199.4	1,381.7
Non-controlling interest		(9.1)	(5.6)
Total equity		1,190.3	1,376.1
Current liabilities			
Trade and other payables	18	17.1	16.9
Borrowings	19	6.3	6.3
Total current liabilities		23.4	23.2
Non-current liabilities			
Borrowings	19	128.9	75.1
Carried interest plan liability	23	38.0	44.1
Deferred tax liability	10	4.8	6.8
Loans from limited partners of consolidated funds	19	19.8	19.5
Revenue share liability	20	6.4	13.0
Total non-current liabilities		197.9	158.5
Total liabilities		221.3	181.7
Total equity and liabilities		1,411.6	1,557.8

Registered number: 04204490

The accompanying notes form an integral part of the financial statements. The financial statements were approved by the Board of Directors and authorised for issue on 13 March 2024 and were signed on its behalf by:

Greg Smith
Chief Executive Officer

David Baynes
Chief Financial Officer

Consolidated statement of cash flows.

For the year ended 31 December 2023

	Note	2023 £m	2022 £m
Operating activities			
Loss before taxation for the period		(176.3)	(343.5)
Adjusted for:			
Change in fair value of equity and debt investments	13	110.9	303.4
Change in fair value of limited and limited liability partnership interests	14	38.8	(2.1)
Loss on disposal of equity investments	15	10.8	7.8
Long term incentive carry scheme (credit)/charge	23	(4.7)	12.0
Carried interest scheme payments	23	(1.3)	(1.0)
Share-based payment charge	22	2.6	2.9
Finance income		(9.8)	(2.2)
Finance costs		5.6	1.4
Depreciation of right of use asset, property, plant and equipment		0.6	0.6
Corporate finance fees settled in the form of portfolio company equity		(0.1)	(0.5)
Changes in working capital			
Decrease/(Increase) in trade and other receivables	16	1.3	(0.5)
Decrease in trade and other payables	18	(0.3)	(2.8)
Drawdowns from limited partners of consolidated funds		0.3	0.8
Other operating cash flows			
Interest received ¹		3.7	–
Net interest received		–	0.2
Net cash outflow from operating activities		(17.9)	(23.5)
Investing activities			
Purchase of property, plant and equipment		–	(0.3)
Purchase of equity and debt investments	13	(63.4)	(88.9)
Investment in limited and limited liability partnership funds	14	(9.8)	(4.6)
Investment in joint venture		(0.6)	–
Cash flow to deposits		(191.7)	(208.7)
Cash flow from deposits		218.4	272.1
Proceeds from sale of equity and debt investments	15	37.7	28.1
Interest received on deposits ¹		4.1	–
Distribution from limited partnership funds	14	0.9	–
Net cash outflow from investing activities		(4.4)	(2.3)
Financing activities			
Dividends paid	28	(13.0)	(12.3)
Repurchase of own shares – treasury shares	21	(0.1)	(8.0)
Lease principal payment		(0.5)	(0.5)
Interest paid ¹		(5.5)	–
Repayment of EIB loan facility	19	(6.2)	(29.8)
Drawdown of loan facility (net of costs)	19	60.0	59.4
Net cash inflow from financing activities		34.7	8.8
Net decrease in cash and cash equivalents		12.4	(17.0)
Cash and cash equivalents at the beginning of the year		88.7	105.7
Effect of foreign exchange rate changes		(0.2)	–
Cash and cash equivalents at the end of the year		100.9	88.7

¹ In the current year interest paid and interest received on deposits have been shown separately. The directors have chosen not to represent the prior year comparatives as the amounts are immaterial.

The accompanying notes form an integral part of the financial statements.

Consolidated statement of changes in equity.

For the year ended 31 December 2023

	Attributable to equity holders of the parent					
	Share capital	Share premium ¹ £m	Retained earnings ² £m	Total £m	Non-controlling interest ³ £m	Total equity £m
At 1 January 2022	21.3	102.4	1,617.5	1,741.2	(3.1)	1,738.1
Loss for the year	–	–	(342.0)	(342.0)	(2.5)	(344.5)
Issue of shares ⁴	–	0.1	–	0.1	–	0.1
Purchase of treasury shares ⁵	–	–	(8.0)	(8.0)	–	(8.0)
Equity-settled share-based payments ⁶	–	–	2.9	2.9	–	2.9
Ordinary dividends ⁷	–	–	(12.7)	(12.7)	–	(12.7)
Currency translation ⁸	–	–	0.2	0.2	–	0.2
At 1 January 2023	21.3	102.5	1,257.9	1,381.7	(5.6)	1,376.1
Loss for the year	–	–	(170.9)	(170.9)	(3.5)	(174.4)
Purchase of treasury shares ⁵	–	–	(0.1)	(0.1)	–	(0.1)
Equity-settled share-based payments ⁶	–	–	2.6	2.6	–	2.6
Ordinary dividends ⁷	–	–	(13.0)	(13.0)	–	(13.0)
Currency translation ⁸	–	–	(0.9)	(0.9)	–	(0.9)
At 31 December 2023	21.3	102.5	1,075.6	1,199.4	(9.1)	1,190.3

1. Share premium – Amount subscribed for share capital in excess of nominal value, net of directly attributable issue costs.
2. Retained earnings – Cumulative net gains and losses recognised in the consolidated statement of comprehensive income net of associated share-based payments credits and distributions to shareholders.
3. Non-controlling interest – Share of profits attributable to the Limited Partners of IP Venture Fund II LP.
4. Issue of shares – Share premium in connection with the Interim Scrip Dividend, the Group has received valid elections from shareholders resulting in a requirement to issue new ordinary shares of 2p each ("New Shares").
5. Purchase of treasury shares – Reflects the issue of 220,302 ordinary shares, with an aggregate value of £0.1m, these were purchased by the Company during the year and are held in treasury. Total value including costs was £0.1m. (2022: 7,429,494 shares purchased for total value of £8.0m, total including costs of £8.0m). These shares were purchased for the £20m share buyback approved by the Board in December 2023.
6. Equity-settled share-based payments – amounts recognised in respect of the Group's share-based payments schemes recognised as a subsidiary investment in the Company accounts with a corresponding entry against equity.
7. Ordinary dividends – Of the £13.0m dividends paid in 2023, £13.0m was settled in cash (2022: £12.7m total, £12.3m cash, £0.4m Scrip). No new shares were issued in respect of scrip dividends in 2023 (2022: 485,569 shares issued).
8. Currency translation – Reflects currency translation differences on reserves non-GBP functional currency subsidiaries. Exchange differences on translating foreign operations are presented before tax.

Notes to the consolidated financial statements.

1. Basis of preparation

A) Basis of preparation

The Annual Report and Accounts of IP Group plc ("IP Group" or the "Company") and its subsidiary companies (together, the "Group") are for the year ended 31 December 2023. The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated. The Group financial statements have been prepared and approved by the directors in accordance with UK-adopted international accounting standards ("UK-adopted IFRS").

The preparation of financial statements in compliance with IFRS requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in the most appropriate selection of the Group's accounting policies. The areas where significant judgements and estimates have been made in preparing the financial statements and their effect are disclosed in note 2.

Going concern

The financial statements are prepared on a going concern basis. The directors have completed a detailed financial forecast alongside severe but plausible scenario-based downside stress-testing, including the impact of declining portfolio values and a reduced ability to generate portfolio realisations.

At the balance sheet date, the Group had cash and deposits of £226.9m, providing liquidity for at least two years' operating expenses, portfolio investment and debt repayments at recent levels. Furthermore, the Group has a portfolio of investments valued at around £1.2bn, which is anticipated to provide further liquidity over the forecast period. Accordingly, our forecasting indicates that the Group has adequate resources to enable it to meet its obligations including its debt covenants and to continue in operational existence for at least the next twelve months from the approval date of the accounts. For further details see the Group's viability statement above.

Changes in accounting policies

(i) *New standards, interpretations and amendments effective from 1 January 2023*

No new standards, interpretations and amendments effective in the year have had a material effect on the Group's financial statements.

(ii) *New standards, interpretations and amendments not yet effective*

No new standards, interpretations and amendments not yet effective are expected to have a material effect on the Group's future financial statements.

(B) Basis of consolidation

IFRS 10 Investment Entity Exemption

IFRS 10 defines an investment entity as one which:

- a. Obtains funds from one or more investors for the purpose of providing those investors with investment management services
- b. Commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both
- c. Measures and evaluates the performance of substantially all of its investments on a fair value basis

We believe that IP Group plc does not meet this definition of an investment entity with the key factors behind this conclusion being:

- the absence of specific exit strategies for early-stage assets (indicating condition (b) above is not satisfied)
- the ability to hold investments indefinitely (indicating condition (b) above is not satisfied)
- the flexibility to explore the direct commercialisation of intellectual property within the Group if that is determined to be the most attractive means of generating value for shareholders. (indicating condition (a) above is not satisfied)

Accordingly, we have applied IFRS 10 consolidation principles for each group of entities as follows:

(i) Subsidiaries

Where the Group has control over an entity, it is classified as a subsidiary. Typically, the Group owns a non-controlling interest in its portfolio companies; however, in certain circumstances, the Group takes a controlling interest and hence categorises the portfolio company as a subsidiary. As per IFRS 10, an entity is classed as under the control of the Group when all three of the following elements are present: power over the entity; exposure to variable returns from the entity; and the ability of the Group to use its power to affect those variable returns.

In situations where the Company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights, it is considered that de facto control exists. In determining whether de facto control exists the Group considers the relevant facts and circumstances, including:

- The size of the Company's voting rights relative to both the size and dispersion of other parties who hold voting rights;
- Substantive potential voting rights held by the Company and by other parties;
- Other contractual arrangements; and
- Historic patterns in voting attendance.

In assessing the IFRS 10 control criteria in respect of the Group's private portfolio companies, direction of the relevant activities of the company is usually considered to be exercised by the company's board, therefore the key control consideration is whether the Group

currently has a majority of board seats on a given company's board, or is able to obtain a majority of board seats via the exercise of its voting rights. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

The consolidated financial statements present the results of the Company and its subsidiaries as if they formed a single entity. Intercompany transactions and balances between Group companies are therefore eliminated in full. The consolidated financial statements incorporate the results of business combinations using the acquisition method. In the statement of financial position, the acquiree's identifiable assets and liabilities are initially recognised at their fair values at the acquisition date. Contingent liabilities dependent on the disposed value of an associated investment are only recognised when the fair value is above the associated threshold. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are consolidated until the date on which control ceases.

(ii) Associates/portfolio companies

The majority of the Group's portfolio companies are deemed to be Associates, as the Group has significant influence (generally accompanied by a shareholding of between 20% and 50% of the voting rights) but not control. A small number of the Group's portfolio companies are controlled and hence consolidated, as per section (i) above.

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

Changes in fair value of associates are recognised in profit or loss in the period of the change. The Group has no interests in Associates through which it carries on its operating business. During 2023, the Group made a £0.6m investment into a Joint Venture established in preparation for potential fund operations in China. Joint ventures are held at fair value with any change in value recognised through the income statement.

The disclosures required by Section 409 of the Companies Act 2006 for associated undertakings are included in note 13 of the Company financial statements. Similarly, those investments which may not have qualified as an Associate but fall within the wider scope of significant holdings and so are subject to Section 409 disclosures of the Companies Act 2006 are included in note 11 of the Company financial statements.

(iii) Limited Partnerships and Limited Liability Partnerships ("Limited Partnerships")

a) Consolidated Limited Partnership fund holdings

The Group has a holding in the following Limited Partnership fund, which it determines that it controls and hence consolidates on a line by line basis:

Name	Interest in Limited partnership %
IP Venture Fund II LP ("IPVFII")	33.3

In order to determine whether the Group controls the above funds, it has considered the IFRS 10 control model and related application guidance. In respect of IPVFII, the Group has power via its role as fund manager of the partnership, and exposure to variable returns via its 33.3% ownership interest, resulting in the conclusion that the Group controls and hence consolidates the fund.

b) Other non-consolidated Limited Partnership fund holdings

In addition to Limited Partnerships where Group entities act as general partner and investment manager, the Group has interests in three further entities which are managed by third parties:

Name	Interest in Limited partnership %
IPG Cayman LP	58.1
UCL Technology Fund LP ("UCL Fund")	46.4
Technikos LLP ("Technikos")	17.7

The rationale for IPG Cayman LP's categorisation as a non-consolidated fund is considered a significant accounting judgment and is set out in note 2.

The Group has a 46.4% interest in the total capital commitments of the UCL Fund. The Group has committed £24.8m to the fund alongside the European Investment Fund ("EIF"), University College London and other investors. Participation in the UCL Fund provides the Group with the opportunity to generate financial returns and visibility of potential intellectual property from across University College London's research base.

The Group has an 17.7% interest in the total capital commitments of Technikos, a fund with an exclusive pipeline agreement with Oxford University's Institute of Biomedical Engineering.

See note 27 for disclosure of outstanding commitments in respect of Limited Partnerships.

iv) Other third party funds under management

In addition to the Limited Partnership fund IPVFII, described above, the Group also manages other third-party funds, including within its Parkwalk business unit, described in further detail in the portfolio³¹ review section above, and on behalf of Australian superannuation fund Hostplus. In both cases, the Group has no direct beneficial interest in the assets being managed, and its sole exposure to

variable returns relates to performance fees payable on exits above a specified hurdle. As a result, the Group is not deemed to control these managed assets under IFRS10 and they are not consolidated.

v) Non-controlling interests

The total comprehensive income, assets and liabilities of non-wholly owned entities are attributed to owners of the parent and to the non-controlling interests in proportion to their relative ownership interests.

vi) Business combinations

The Group accounts for business combinations using the acquisition method from the date that control is transferred to the Group (see (i) Subsidiaries above). Both the identifiable net assets and the consideration transferred in the acquisition are measured at fair value at the date of acquisition and transaction costs are expensed as incurred. Goodwill arising on acquisitions is tested at least annually for impairment. In instances where the Group owns a non-controlling stake prior to acquisition the step acquisition method is applied, and any gain or losses on the fair value of the pre-acquisition holding is recognised in the consolidated statement of comprehensive income.

c) Other accounting policies

Regulated capital

Top Technology Ventures Limited and Parkwalk Advisors Ltd, are Group subsidiaries which are subject to external capital requirements imposed by the Financial Conduct Authority ("FCA"). Similarly, the Group's subsidiary in Hong Kong IP Group Greater China Services Limited is subject to external capital requirements imposed by the Securities and Futures Commission of Hong Kong ("SFC"). As such these entities must ensure that they have sufficient capital to satisfy their respective requirements. The Group ensures it remains compliant with these requirements as described in their respective financial statements.

Cash flow statement classification of portfolio investments

Cash flow relating to portfolio investments have been presented as investing cash flows as opposed to cash flows from operating activities. Management considers this to be an appropriate classification representing the fact that the relevant cashflows are allocated towards resources intended to generate future income and cash flows.

2. Significant accounting estimates and judgements

The directors make judgements and estimates concerning the future. Estimates and judgements are continually evaluated and are based on historical experience and other factors, such as expectations of future events, and are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and assumptions which have the most significant effects on the carrying amounts of the assets and liabilities in the financial statements are discussed below.

(i) Valuation of unquoted equity and debt investments and limited partnership interests (significant estimate)

The Group's accounting policy in respect of the valuation of unquoted equity and debt investments is set out in note 13, and in respect of limited partnership interests in note 14. In applying this policy, the key areas over which judgement are exercised include:

- Consideration of whether a funding round is at arm's length and therefore representative of fair value.
- The relevance of the price of recent investment as an input to fair value, which typically becomes more subjective as the time elapsed between the recent investment date and the balance sheet date increases.
- In the case of companies with complex capital structures, the appropriate methodology for assigning value to different classes of equity based on their differing economic rights.
- Where an upwards or downwards calibration adjustment to a funding transaction valuation to reflect positive or negative developments within the company in question, the size of the adjustment made.
- Where using valuation methods such as discounted cash flows or revenue multiples, the assumptions around inputs including the probability of achieving milestones and the discount rate used, and the choice of comparable companies used within revenue multiple analysis.
- Where valuations are based on future events such as sales processes or future funding rounds, the appropriate level of execution risk to be applied to the anticipated event when assessing its valuation impact as at the balance sheet date.
- Debt investments typically represent convertible debt; in such cases judgement is exercised in respect of the estimated equity value received on conversion of the loan.

Valuations are based on management's judgement after consideration of the above and upon available information believed to be reliable, which may be affected by conditions in the financial markets. Due to the inherent uncertainty of the investment valuations, the estimated values may differ significantly from the values that would have been used had a ready market for the investments existed, and the differences could be material. Note 13 provides disclosure details on sensitivity and estimation uncertainty.

(ii) Application of IFRS 10 in respect of Istesso Limited and IPG Cayman LP (significant judgement)

Istesso Limited

In respect of Istesso Limited, although the Group has a 56.5% undiluted economic interest in the company, the Group holds a significant proportion of its equity via non-voting shares resulting in it holding less than 50% of the voting rights at the company. Under Istesso's Articles of Association, strategic and day-to-day decisions over running of the business rest with Istesso's board of directors rather than through shareholder voting rights attached to direct ownership of equity interests held in the entity. In this respect, power over Istesso is exercised predominantly through directors' meetings, on which IP Group is not deemed to have majority representation. As such, the relationship between Istesso and IP Group is designed in such a way that "shareholder" voting rights are not the dominant factor in deciding who directs the investee's relevant activities, but it is the directors who do so. IP Group

does not control the board of Istesso Limited via a majority of board directors, and is specifically prevented from appointing additional directors to gain control of the board via restrictions in Istesso's Articles of Association.

During the year, the Group provided a £13.5m convertible loan to Istesso Limited. This was in addition to a £10m convertible loan which was provided in 2022. The terms of the loans contain specific provisions preventing their conversion where this would result in IP Group obtaining control of Istesso. In addition, the Group provided £1.5m equity funding to Istesso in 2023. As part of this transaction, convertible loans advanced by IP Group and a third party in 2020 converted into equity, leading to a marginal increase in IP Group's economic interest (from 56.4% to 56.5%), but a decrease in IP Group's voting rights as a result of IP Group's debt conversion being into non-voting shares.

Based on an updated control assessment, including considerations around whether IP Group has 'de facto' control of Istesso including inter alia the number of voting shares held by the Group and its connected parties and the dispersion of other parties' voting rights, we have concluded that the Group does not control Istesso Limited under IFRS 10.

Had we concluded that consolidation in the current year was appropriate, the impact on the Group Balance Sheet would have been to recognise Istesso Limited's assets and liabilities and to recognise additional intangible assets including goodwill based on the fair value of the company at acquisition. The impact on the Group Income Statement would have been the recognition of Istesso Limited's costs from the point of acquisition. Furthermore, any subsequent fair value movements in the debt and equity of Istesso Limited would not be recognised until the point where IP Group was no longer deemed to control Istesso Limited.

IPG Cayman LP

The Group's US portfolio is held via a limited partnership fund, IPG Cayman LP, which was set up in 2018 to facilitate third party investment into this portfolio. The fund is managed by Longview Innovations Inc., formerly an operating subsidiary of the Group. Prior to 2021, the Group was judged to control both IPG Cayman LP and Longview innovations Inc. under IFRS 10 and hence both entities were consolidated.

In 2021, several events took place which caused us to reassess the Group's control of both entities:

- IPG Cayman LP raised additional third-party funds in the first half of 2021, which reduced the Group's stake in the fund from 80.7% to 58.1% and revised the fund's Limited Partnership Agreement to reduced the Group's rights to replace the fund manager.
- Investors in the 2021 IPG Cayman LP funding round hold an option to subscribe additional funds which, if exercised, would result in IP Group holding less than 50% in the fund.
- In November 2021 the Group disposed of its equity in IPG Cayman LP's fund manager, Longview Innovations Inc. and hence no longer controls the fund manager.

As a result of these changes, our control assessment concluded that Longview Innovations Inc, is acting as an agent on behalf of all investors in the Cayman LP and not solely IPG plc, therefore the Group no longer controls IPG Cayman LP. The Group therefore ceased to consolidate it from November 2021.

Arriving at this conclusion required the application of judgement, most significantly in assessing the application guidance contained in IFRS 10 B19 which suggests that in some instances a special relationship may exist (such as the fact that we remain the largest individual investor in the fund), implying that an investor has a more than passive interest in the investee. Having considered this guidance we have concluded that on balance the Group does not have power over IPG Cayman LP and hence does not control it.

During 2023, the Group advanced \$10m into IPG Cayman LP via a Simple Agreement for Future Equity ("SAFE"). The terms of this SAFE were consistent with those of another third party who entered into a SAFE with IPG Cayman LP in the year and did not confer any additional substantive rights to the Group in the normal course of business and as a result did not change the consolidation conclusion in respect of IPG Cayman LP.

Had we concluded that consolidation was appropriate in the current year, the impact on the Group Balance Sheet would have been a gross-up adjustment to reflect the full value of IPG Cayman LP's assets and liabilities, with no impact on the Group's net assets. The impact on the Group Income Statement would have been to recognise IPG's gross portfolio fair value movements and costs from the date of acquisition, with profits attributable to minority interest in IPG Cayman LP being reflected as a movement in Minority Interest.

3. Financial risk management

As set out in the principal risks and uncertainties section above, the Group is exposed, through its normal operations, to a number of financial risks, the most significant of which are market, liquidity and credit risks.

In general, risk management is carried out throughout the Group under policies approved by the Board of Directors. The following further describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

A) Market risk

Price risk

The Group is exposed to equity securities price risk as a result of the equity and debt investments, and investments in Limited Partnerships held by the Group and recognised as at fair value through profit or loss.

The Group mitigates this risk by having established investment appraisal processes and asset monitoring procedures which are subject to overall review by the Board. The Group has also established corporate finance and communications teams dedicated to supporting portfolio companies with fundraising activities and investor relations.

The Group holds ten investments valued at £203.8m which are publicly traded (2022: 13, £228.7m), and the remainder of its investments are not traded on an active market.

The net portfolio loss in 2023 of £160.5m represents a 13% decrease against the opening balance (2022: loss of £304.3m, 21.5%). Sensitivity analysis showing the impact of movements in quoted equity and debt investments is disclosed in Note 13, and movements in Limited and Limited Liability interests is shown in Note 14.

(ii) Foreign exchange risk

The Groups' main exposure to foreign currency risk is via its investment portfolio, which is partially denominated in US dollars, Australian dollars, Euros and Swedish Krona. Further details of currency exposure in the portfolio are given in notes 13 and 14.

The Group's US dollar-denominated proceeds included in deferred consideration at December 2023 was £9.4m (2022: £35.5m). The reduction is largely due to the receipt of US dollar-denominated proceeds totalling £30.8m in the first half of 2023 relating to the disposal of WaveOptics.

The Group periodically enters into forward foreign exchange contracts to mitigate risk of exchange rate exposure in respect of non GPD-denominated proceeds. As at 31 December 2023 the notional amount of the forward foreign exchange contracts held by the Company was £nil (2022: \$26.3m). The settlement date of the contacts outstanding in 2022 was 30 June 2023.

(iii) Interest rate risk

The Group holds a debt facility with the European Investment Bank and a loan note facility primarily with Phoenix Group with the overall balance as at 31 December 2023 amounting to £135.6m (excluding setup costs). These loans are all subject to fixed rate interest (following the repayment of variable rate loans in the year) being subject to an average fixed rate interest of 4.99% (2022: 4.65%).

For further details of the Group's loans including covenant details see note 19.

The other primary impact of interest rate risk to the Group is the impact on the income and operating cash flows as a result of the interest-bearing deposits and cash and cash equivalents held by the Group.

(iv) Concentrations of risk

The Group is exposed to concentration risk via the significant majority of the portfolio being UK-based companies and thus subject to the performance of the UK economy. In recent years, the Group has decreased the scale of its operations in the US as a result of the dilution of its holding in IPG Cayman LP. The group has, however, the scale of its operations in Australia have increased as a result of additional investment in this geography and portfolio value gains.

The Group mitigates this risk, in co-ordination with liquidity risk, by managing its proportion of fixed to floating rate financial assets. The table below summarises the interest rate profile of the Group.

	2023				2022			
	Fixed rate £m	Floating rate £m	Interest free £m	Total £m	Fixed rate £m	Floating rate £m	Interest free £m	Total £m
Financial assets								
Equity investments	–	–	1,011.5	1,011.5	–	–	1,120.8	1,120.8
Debt investments	–	–	83.7	83.7	–	–	38.1	38.1
Limited and limited liability partnership interests	–	–	69.7	69.7	–	–	99.6	99.6
Trade receivables	–	–	0.6	0.6	–	–	2.1	2.1
Other receivables	–	–	7.6	7.6	–	–	6.7	6.7
Receivable on sale of debt and equity investments	–	–	9.2	9.2	–	–	48.2	48.2
Deposits	126.0	–	–	126.0	152.8	–	–	152.8
Cash and cash equivalents	16.8	83.9	0.2	100.9	–	88.7	–	88.7
	142.8	83.9	1,182.5	1,409.2	152.8	88.7	1,315.5	1,557.0
Financial liabilities								
Trade payables	–	–	(0.5)	(0.5)	–	–	(1.3)	(1.3)
Other accruals and deferred income	–	–	(16.5)	(16.5)	–	–	(15.6)	(15.6)
Borrowings	(135.2)	–	–	(135.2)	(81.4)	–	–	(81.4)
Carried interest plan liability	–	–	(38.0)	(38.0)	–	–	(44.1)	(44.1)
Deferred tax liability	–	–	(4.8)	(4.8)	–	–	(6.8)	(6.8)
Loans from Limited Partners of consolidated funds	–	–	(19.8)	(19.8)	–	–	(19.5)	(19.5)
Revenue share liability	–	–	(6.4)	(6.4)	–	–	(13.0)	(13.0)
	(135.2)	–	(86.0)	(221.2)	(81.4)	–	(100.3)	(181.7)

At 31 December 2023, if interest rates had been 1% higher/lower, post-tax loss for the year, and other components of equity, would have been £2.2m (2022: £2.0m) higher/lower as a result of higher interest received on cash & deposits.

B) Liquidity risk

The Group seeks to manage liquidity risk, to ensure sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. The Group's treasury management policy asserts that at any one point in time no more than 60% of the Group's cash and cash equivalents will be placed in fixed-term deposits with a holding period greater than three months. Accordingly, the Group only invests working capital in short-term instruments issued by reputable counterparties. The Group continually monitors rolling cash flow forecasts to ensure sufficient cash is available for anticipated cash requirements.

C) Credit risk

The Group's credit risk is primarily attributable to its deposits, cash and cash equivalents, debt investments and trade receivables. The Group seeks to mitigate its credit risk on cash and cash equivalents by making short-term deposits with counterparties, or by investing in treasury funds with an "AA" credit rating or above managed by institutions. Short-term deposit counterparties are required to have most recently reported total assets in excess of £5bn and, where applicable, a prime short-term credit rating at the time of investment (ratings are generally determined by Moody's or Standard & Poor's). Moody's prime credit ratings of "P1", "P2" and "P3" indicate respectively that the rating agency considers the counterparty to have a "superior", "strong" or "acceptable" ability to repay short-term debt obligations (generally defined as having an original maturity not exceeding 13 months). An analysis of the Group's deposits and cash and cash equivalents balance analysed by credit rating as at the reporting date is shown in the table opposite. All other financial assets are unrated.

	2023 £m	2022 £m
Credit rating		
P1	158.9	177.4
AAAMMF ¹	66.7	54.6
Other ²	1.3	9.5
Total deposits and cash and cash equivalents	226.9	241.5

1. The Group holds £66.7m (2022: £54.6m) with JP Morgan GBP liquidity fund, which has a AAAMMF credit rating with Fitch.
2. The Group holds £1.3m (2022: £9.5m) with Arbuthnot Latham, a private bank with no debt in issue and, accordingly, on which a credit rating is not applicable. Bloomberg assess Arbuthnot Latham's 1-year default probability at 0.020408% (2022: 0.2107%).

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers. The Group has detailed policies and strategies which seek to minimise these associated risks including defining maximum counterparty exposure limits for term deposits based on their perceived financial strength at the commencement of the deposit. The single counterparty limit for fixed term deposits in excess of 3 months at 31 December 2023 was the greater of 60% of total group cash or £50m (2022: 60%, £50m). In addition, no single institution may hold more than the higher of 50% of total cash or £50m. (2022: 50%, £50m).

The group's exposure to credit risk on debt investments is managed in a similar way to equity security price risk, as described above, through the Group's investment appraisal processes and asset monitoring procedures which are subject to overall review by the Board. The maximum exposure to credit risk for debt investments, receivables and other financial assets is represented by their carrying amount.

4. Revenue from services

Accounting Policy:

Revenue from services is generated primarily from within the United Kingdom and is stated exclusive of value added tax, with further revenue generated in the Group's Australian operations. Revenue is recognised when the Group satisfies its performance obligations, in line with IFRS 15. Revenue breakdown and disclosure requirements under IFRS 15 have not been presented as they are considered immaterial. Revenue from services and other income comprises:

Fund management services

Fund management fees include fiduciary fund management fees which are generally earned as a fixed percentage of total funds under management and are recognised as the related services are provided and performance fees payable from realisation of agreed returns to investors which are recognised as performance criterion are met.

Licence and royalty income

The Group's Intellectual Property licences typically constitute separate performance obligations, being separate from other promised goods or services. Revenue is recognised in line with the performance obligations included in the licence, which can include sales-based, usage-based or milestone-based royalties.

Advisory and corporate finance fees

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

Revenue from services is derived from the provision of advisory and venture capital fund management services or from licensing activities, royalty revenues and patent cost recoveries.

5. Operating segments

For both the year ended 31 December 2023 and the year ended 31 December 2022, the Group's revenue and profit before taxation were derived largely from its principal activities within the UK.

For management reporting purposes, the Group is currently organised into five operating segments:

- Venture Capital investing within our 'Healthier future' thematic area
- Venture Capital investing within our 'Tech-enriched future' thematic area
- Venture Capital investing within our 'Regenerative future' thematic area
- Venture Capital investing: Other, representing investments not included within our three thematic areas above, including platform investments
- the management of third party funds and the provision of corporate finance advice

Reporting line items within Venture Capital investing which are not allocated by thematic sector are presented in the 'Venture Capital investing: other' segment. The element of our 'Healthier future' thematic area relating to Oxford Nanopore Technologies Limited is disclosed separately given its size.

These activities are described in further detail in the strategic report above.

Year ended 31 December 2023

STATEMENT OF COMPREHENSIVE INCOME	Venture capital investing: Healthier future £m	Of which Oxford Nanopore £m	Venture capital investing: Tech-enriched future £m	Venture capital investing: Regenerative future £m	Venture capital investing: Other £m	Venture capital investing: Total £m	Third party fund management £m	Consolidated £m
Portfolio return and revenue								
Change in fair value of equity and debt investments	(92.9)	(31.9)	(7.0)	(8.7)	(2.3)	(110.9)	–	(110.9)
(Loss)/gain on disposal of equity and debt investments	(12.9)	–	2.1	–	–	(10.8)	–	(10.8)
Change in fair value of limited and limited liability partnership interests					(38.8)	(38.8)	–	(38.8)
Revenue from services and other income					1.3	1.3	4.6	5.9
	(105.8)	(31.9)	(4.9)	(8.7)	(39.8)	(159.2)	4.6	(154.6)
Administrative expenses¹								
Carried interest plan charge ¹					4.7	4.7	–	4.7
Share-based payment charge ¹					(2.3)	(2.3)	(0.3)	(2.6)
Other administrative expenses ¹					(22.6)	(22.6)	(5.4)	(28.0)
					(20.2)	(20.2)	(5.7)	(25.9)
Operating loss	(105.8)	(31.9)	(4.9)	(8.7)	(60.0)	(179.4)	(1.1)	(180.5)
Finance income ¹					9.4	9.4	0.4	9.8
Finance costs ¹					(5.6)	(5.6)	–	(5.6)
Loss before taxation	(105.8)	(31.9)	(4.9)	(8.7)	(56.2)	(175.6)	(0.7)	(176.3)
Taxation ¹					1.9	1.9	–	1.9
Loss for the year	(105.8)	(31.9)	(4.9)	(8.7)	(54.3)	(173.7)	(0.7)	(174.4)
STATEMENT OF FINANCIAL POSITION								
Assets	576.5	173.6	231.4	275.3	310.2	1,393.4	18.2	1,411.6
Liabilities ¹					(214.7)	(214.7)	(6.6)	(221.3)
Net Assets	576.5	173.6	231.4	275.3	95.5	1,178.7	11.6	1,190.3
Other segment items								
Portfolio Investment	(33.9)	–	(11.9)	(17.6)	(9.8)	(73.2)	–	(73.2)
Proceeds from sale of equity and debt investments	3.7	–	33.2	0.1	1.6	38.6	–	38.6

Year ended 31 December 2022

STATEMENT OF COMPREHENSIVE INCOME	Venture capital investing: Healthier future £m	Of which Oxford Nanopore £m	Venture capital investing: Tech-enriched future £m	Venture capital investing: Regenerative future £m	Venture capital investing: Other £m	Venture capital investing: Total £m	Third party fund management £m	Consolidated £m
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Portfolio return and revenue

Change in fair value of equity and debt investments	(400.9)	(369.7)	(22.2)	121.7	2.0	(303.4)	–	(303.4)
(Loss)/gain on disposal of equity and debt investments	(12.0)	–	4.0	–	0.2	(7.8)	–	(7.8)
Change in fair value of limited and limited liability partnership interests					2.1	2.1	–	2.1
Revenue from services and other income					1.1	1.1	6.0	7.1
	(412.9)	(369.7)	(18.1)	121.7	1.4	(308.0)	6.0	(302.0)
Administrative expenses¹								
Carried interest plan charge ¹					(12.0)	(12.0)	–	(12.0)
Share-based payment charge ¹					(2.6)	(2.6)	(0.3)	(2.9)
Other administrative expenses ¹					(22.1)	(22.1)	(5.3)	(27.4)
					(36.7)	(36.7)	(5.6)	(42.3)
Operating loss	(412.9)	(369.7)	(18.1)	121.7	(35.3)	(334.7)	0.4	(344.3)
Finance income ¹					2.1	2.1	0.1	2.2
Finance costs ¹					(1.4)	(1.4)	–	(1.4)
Loss before taxation	(412.9)	(369.7)	(18.1)	121.7	(34.6)	(344.0)	0.5	(343.5)
Taxation ¹					(1.0)	(1.0)	–	(1.0)
Loss for the year	(412.9)	(369.7)	(18.1)	121.7	(35.6)	(345.0)	0.5	(344.5)

STATEMENT OF FINANCIAL POSITION

Assets	659.2	205.5	257.3	266.4	357.1	1,540.0	17.8	1,557.8
Liabilities ¹					(176.0)	(176.0)	(5.7)	(181.7)
Net Assets	659.2	205.5	257.3	266.4	181.1	1,364.0	12.1	1,376.1
Other segment items								
Portfolio Investment	(40.9)	(3.2)	(21.7)	(26.2)	(4.7)	(93.5)	–	(93.5)
Proceeds from sale of equity and debt investments	15.6	–	4.0	3.5	0.3	28.1	–	28.1

1. These amounts cannot be apportioned to the individual segments of the venture capital investing business.

6. Auditor's remuneration

Details of the auditor's remuneration are set out below:

	2023 £000	2022 £000
Audit of these financial statements (KPMG LLP)	525.3	470.0
Audit of financial statements of funds and subsidiaries of the companies (KPMG LLP)	139.2	123.9
Audit related assurance services (KPMG LLP)	72.3	60.0
Total assurance services	736.8	653.9

7. Operating loss

Operating loss has been arrived at after charging:

	2023 £000	2022 £000
Depreciation of right of use asset, property, plant and equipment	(0.6)	(0.6)
Total staff costs (see note 9)	(19.0)	(20.0)

8. Other administrative expenses

Other administrative expenses comprise:

	2023 £000	2022 £000
Employee costs (less share-based payment charge)	16.4	17.1
Professional services	4.2	4.0
Consolidated portfolio company costs	–	0.1
Depreciation of tangible assets	0.6	0.6
Other expenses	6.8	5.6
	28.0	27.4

9. Employee costs

Accounting Policy

Employee benefits

Pension obligations

The Group operates a company defined contribution pension scheme for which all employees are eligible. The assets of the scheme are held separately from those of the Group in independently administered funds. The Group currently makes contributions on behalf of employees to this scheme or to employee personal pension schemes on an individual basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due.

Share-based payments

The Group engages in equity-settled share-based payment transactions in respect of services receivable from employees, by granting employees conditional awards of ordinary shares subject to certain vesting conditions. Conditional awards of shares are made pursuant to the Group's Long Term Incentive Plan ("LTIP") awards and/or the Group's Annual Incentive Scheme ("AIS"). The fair value of the shares is estimated at the date of grant, taking into account the terms and conditions of the award, including market-based performance conditions.

The fair value at the date of grant is recognised as an expense over the period that the employee provides services, generally the period between the start of the performance period and the vesting date of the shares. The corresponding credit is recognised in retained earnings within total equity. The fair value of services is calculated using the market value on the date of award and is adjusted for expected and actual levels of vesting. Where conditional awards of shares lapse, the expense recognised to date is credited to the statement of comprehensive income in the year in which they lapse. Where the terms for an equity-settled award are modified, and the modification increases the total fair value of the share-based payment or is otherwise beneficial to the employee at the date of modification, the incremental fair value is amortised over the vesting period.

See the Directors' Remuneration Report and note 22 for further details.

Employee costs (including Executive Directors) comprise:

	2023 £000	2022 £000
Salaries	11.3	11.6
Defined contribution pension cost	1.1	1.0
Other bonuses accrued in the year	2.6	3.0
Social security	1.4	1.5
Employee costs	16.4	17.1
Share-based payment charge (see note 22)	2.6	2.9
Total staff costs	19.0	20.0

The average monthly number of persons (including executive directors) employed by the Group during the year was 101, all of whom were involved in management and administration activities (2022: 99). General details of the directors' remuneration can be found in the Directors' Remuneration Report.

10. Taxation

Accounting Policy:

Deferred tax

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

	2023 £000	2022 £000
Current tax		
UK corporation tax on profits for the year	—	—
Foreign tax	—	—
	—	—
Deferred tax	(1.9)	1.0
Total tax	(1.9)	1.0

The Group primarily seeks to generate capital gains from its holdings in spin-out companies over the longer-term. The majority of these capital gains qualify for UK Substantial Shareholding Exemption ("SSE") and are therefore not taxable, resulting in the Group making annual net operating losses from its operations from a UK tax perspective.

Gains arising on sales of holdings which do not qualify for SSE will ordinarily give rise to taxable profits for the Group, to the extent that these exceed the Group's ability to offset gains against current and brought forward tax losses (subject to the relevant restrictions on the use of brought-forward losses). In such cases, a deferred tax liability is recognised in respect of estimated tax amount payable.

The amount for the year can be reconciled to the profit per the statement of comprehensive income as follows:

	2023 £000	2022 £000
Loss before tax	(176.3)	(343.5)
Tax at the UK corporation tax rate of 23.52% (2022: 19%)	(41.5)	(65.3)
Expenses not deductible for tax purposes	(1.1)	2.3
Income not taxable	2.5	1.5
Prior year adjustment on deferred tax	–	0.4
Fair value movement on investments qualifying for SSE	40.9	58.4
Movement on share-based payments	0.6	0.4
Movement in tax losses arising not recognised	0.1	2.9
CIR reactivation	(3.1)	–
Foreign tax	0.1	–
Rate change on deferred tax	(0.4)	0.4
Total tax charge/(credit)	(1.9)	1.0

At 31 December 2023, deductible temporary differences and unused tax losses, for which no deferred tax asset has been recognised, totalled £298.3m (2022: £278.7m). An analysis is shown below:

	2023		2022	
	Amount £m	Deferred tax £m	Amount £m	Deferred tax £m
Accelerated capital allowances	–	–	(0.5)	(0.1)
Share-based payment costs and other temporary differences	(48.1)	(12.0)	(15.5)	(3.9)
Unused tax losses	(250.2)	(62.6)	(262.7)	(65.7)
	(298.3)	(74.6)	(278.7)	(69.7)

At 31 December 2023, deductible temporary differences and unused tax losses, for which a deferred tax liability has been recognised, totalled £18.9m (2022: £27.3m). An analysis is shown below:

	2023		2022	
	Amount £m	Deferred tax £m	Amount £m	Deferred tax £m
Temporary timing differences	54.1	13.5	79.7	19.9
Unused tax losses	(35.2)	(8.7)	(52.4)	(13.1)
	18.9	4.8	27.3	6.8

11. Earnings per share

	2023 £m	2022 £m
Earnings		
Earnings for the purposes of basic and dilutive earnings per share	(171.3)	(341.5)

	2023 Number of shares	2022 Number of shares
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	1,036,400,406	1,034,483,278
Effect of dilutive potential ordinary shares:		
Options or contingently issuable shares	–	–
Weighted average number of ordinary shares for the purposes of diluted earnings per share	1,036,400,406	1,034,483,278

	2023 pence	2022 pence
Basic	(16.53)	(33.01)
Diluted	(16.53)	(33.01)

No adjustment has been made to the basic loss per share in the years ended 31 December 2023 and 31 December 2022, as the exercise of share options would have the effect of reducing the loss per ordinary share, and therefore is not dilutive.

Potentially dilutive ordinary shares include contingently issuable shares arising under the Group's LTIP arrangements, and options issued as part of the Group's Sharesave schemes and Deferred Bonus Share Plan (for annual bonuses deferred under the terms of the Group's Annual Incentive Scheme).

12. Categorisation of financial instruments

Accounting policy:

Financial assets and liabilities

Financial assets and liabilities are recognised in the balance sheet when the relevant Group entity becomes a party to the contractual provisions of the instrument. De-recognition occurs when rights to cash flows from a financial asset expire, or when a liability is extinguished.

Derivative financial instruments are accounted for at fair value through profit and loss in accordance with IFRS 9. They are revalued at the balance sheet date based on market prices, with any change in fair value being recorded in profit and loss. Derivatives are recognised in the Consolidated statement of financial position as a financial asset when their fair value is positive and as a financial liability when their fair value is negative. The Group's derivative financial instruments are not designated as hedging instruments.

Financial assets

In respect of regular way purchases or sales, the Group uses trade date accounting to recognise or derecognise financial assets.

The Group classifies its financial assets into one of the categories listed below, depending on the purpose for which the asset was acquired.

At fair value through profit or loss

Held for trading and financial assets are recognised at fair value through profit and loss. This category includes equity investments, debt investments and investments in limited partnerships. Investments in associated undertakings, which are held by the Group with a view to the ultimate realisation of capital gains, are also categorised as at fair value through profit or loss. This measurement basis is consistent with the fact that the Group's performance in respect of investments in equity investments, limited partnerships and associated undertakings is evaluated on a fair value basis in accordance with an established investment strategy.

Financial assets at fair value through profit or loss are initially recognised at fair value and any gains or losses arising from subsequent changes in fair value are presented in profit or loss in the statement of comprehensive income in the period which they arise.

At amortised cost

These assets are non-derivative financial assets with fixed and determinable payments that are not quoted in an active market. They arise principally through the provision of services to customers (trade receivables) and are carried at cost less provision for impairment.

Deposits

Deposits comprise longer-term deposits held with financial institutions with an original maturity of greater than three months and, in line with IAS 7 are not included within cash and cash equivalents. Cash flows related to investments in, and maturities of amounts held on deposit are presented within investing activities in the consolidated statement of cash flows. Interest income related to deposits is included within cashflows from operating activities.

Cash and cash equivalents

Cash and cash equivalents include cash in hand and short-term deposits held with financial institutions with an original maturity of three months or less. Interest income related to cash is included within cashflows from operating activities.

Financial liabilities

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

Non-current liabilities are composed of loans from Limited Partners of consolidated funds, outstanding amounts drawn down from a debt facility provided by the European Investment Bank, loan notes provided by Phoenix Group, carried interest plans liabilities, and revenue share liabilities arising as a result of the Group's former Technology Pipeline Agreement with University College London.

Unless otherwise indicated, the carrying amounts of the Group's financial liabilities are a reasonable approximation to their fair value. Non-current liabilities are recognised initially at fair value net of transaction costs incurred, and subsequently at amortised cost.

	At fair value through profit or loss £m	Amortised cost £m	Total £m
Financial assets			
Equity investments	1,011.5	–	1,011.5
Debt investments	83.7	–	83.7
Limited and limited liability partnership interests	69.7	–	69.7
Trade and other receivables	–	8.2	8.2
Receivables on sale of debt and equity investments	9.2	–	9.2
Deposits	–	126.0	126.0
Cash and cash equivalents	–	100.9	100.9

At 31 December 2023	1,174.1	235.1	1,409.2
Equity investments	1,120.8	–	1,120.8
Debt investments	38.1	–	38.1
Limited and limited liability partnership interests	99.6	–	99.6
Trade and other receivables	–	8.8	8.8
Receivables on sale of debt and equity investments	48.2	–	48.2
Deposits	–	152.8	152.8
Cash and cash equivalents	–	88.7	88.7
At 31 December 2022	1,306.7	250.3	1,557.0

In light of the credit ratings applicable to the Group's cash and cash equivalent and deposits, (see note 3 for further details), we estimate expected credit losses on the Group's receivables to be under £0.1m and therefore not disclosed further (2022: less than £0.1m), similarly we have not presented an analysis of credit ratings of trade and other receivable and receivables on sale of debt and equity investments.

All net fair value gains in the year are attributable to financial assets designated at fair value through profit or loss on initial recognition (2022: all net fair value gains in the year are attributable to financial assets designated at fair value through profit or loss on initial recognition).

Interest income of £nil 2022: £nil) is attributable to financial assets classified as fair value through profit and loss.

13. Portfolio: Equity and debt investments

Accounting policy:

Fair value hierarchy

The Group classifies financial assets using a fair value hierarchy that reflects the significance of the inputs used in making the related fair value measurements. The level in the fair value hierarchy, within which a financial asset is classified, is determined on the basis of the lowest level input that is significant to that asset's fair value measurement. The fair value hierarchy has the following levels:

Level 1 – Quoted prices in active markets.

Level 2 – Inputs other than quoted prices that are observable, such as prices from market transactions.

Level 3 – One or more inputs that are not based on observable market data.

Equity investments

Fair value is the underlying principle and is defined as “the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date” (IPEV guidelines, December 2022).

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

Valuation techniques used

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

Valuation techniques used include:

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

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 funding transaction, the Group refers to the valuation basis as 'Funding transaction'.

Price of recent investment as an input in assessing fair value

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

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

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

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

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

Debt investments

Debt investments are generally unquoted debt instruments which are convertible to equity at a future point in time. Such instruments are considered to be hybrid instruments containing a fixed rate debt host contract with an embedded equity derivative. The Group designates the entire hybrid contract at fair value through profit or loss on initial recognition and, accordingly, the embedded derivative is not separated from the host contract and accounted for separately. The price at which the debt investment was made may be a reliable indicator of fair value at that date depending on facts and circumstances. Any subsequent remeasurement will be recognised as changes in fair value in the statement of comprehensive income.

Disclosure of unrealised and realised gains and losses

'Change in fair value of equity and debt investments' per the Group Income Statement represents unrealised revaluation gains and losses on the Group's portfolio of investment.

Gains on disposal of equity investments represents the difference between the fair value of consideration received and the carrying value at the start of the accounting period for the investment in question.

Changes in fair values of investments do not constitute revenue

Equity and Debt Investments within the Top 20 by holding value

The following table lists information on the debt and equity investments within the most valuable 20 portfolio company investments, which constitute 18 of the top 20 portfolio investments (the other two being holdings in Limited Partnerships), representing 70% of the total portfolio value (2022: 71%). Detail on the performance of these companies is included in the Life Sciences, Deeptech and Cleantech portfolio reviews.

The Group engages third-party valuation specialists to provide valuation support where required; during the period we commissioned third-party valuations on nine out of the top 20 holdings (2022: nine).

Company name	Primary valuation basis	Fair value of Group holding at 31 Dec 2023	Fair value of Group holding at 31 Dec 2022
		£m	£m
Oxford Nanopore Technologies plc	Quoted bid price	173.6	205.5
Istesso Limited *	DCF	113.8	95.6
Featurespace Limited *	Revenue multiple	73.0	64.1
Hysata Pty Ltd	Funding transaction < 12 months, PWERM	70.0	18.7
Oxa Autonomy Limited *	Funding transaction > 12 months, PWERM	65.7	65.9
First Light Fusion Limited *	Other: Adjusted financing price based on past performance – Upwards	64.9	114.5
Hinge Health, Inc. *	Other: Adjusted financing price based on past performance – Downwards	34.0	53.6
Garrison Technology Limited	Funding transaction < 12 months	31.6	27.7
Ultraleap Holdings Limited *	Other: Adjusted financing price based on past performance – Downwards	31.0	37.9
Bramble Energy Limited	Funding transaction > 12 months, PWERM	20.9	20.9
Crescendo Biologics Limited	Funding transaction > 12 months, PWERM	19.6	18.7

Pulmocide Limited	Other: Adjusted financing price based on past performance – Upwards	19.2	14.7
Ieso Digital Health Limited *	Other: Adjusted financing price based on past performance – Downwards	18.9	21.8
Oxford Science Enterprises plc	Other: Adjusted financing price based on past performance – Downwards	18.3	20.6
Artios Pharma Limited *	Other: Adjusted financing price based on past performance – Downwards	17.4	18.3
Microbiotica Limited	Funding transaction > 12 months, PWERM	16.1	16.1
Mission Therapeutics Limited *	Other: Adjusted financing price based on past performance – Downwards	15.8	18.1
Centessa Pharmaceuticals plc	Quoted bid price	15.7	6.5
Total		819.5	839.2

* Third-party valuation specialists used for 31 December 2023 valuation. In these instances, the valuation basis is management's assessment of the primary valuation input used by the third-party valuation specialist.

	Level 1	Level 3		
	Equity investments in quoted spin-out companies £m	Unquoted equity investments in spin-out companies £m	Debt investments in unquoted spin-out companies £m	Total £m
At 1 January 2023	228.7	892.1	38.1	1,158.9
Investments	–	32.8	30.6	63.4
Transaction-based reclassifications	–	7.8	(7.8)	–
Other transfers between hierarchy levels	1.8	(1.8)	–	–
Disposals	(1.6)	(7.6)	(0.3)	(9.5)
Fees settled via equity	–	0.1	–	0.1
Change in revenue share ¹	–	(6.8)	–	(6.8)
Change in fair value ²	(24.5)	(103.7)	23.5	(104.7)
Change in FX ²	(0.6)	(5.2)	(0.4)	(6.2)
At 31 December 2023	203.8	807.7	83.7	1,095.2
At 1 January 2022	662.7	729.1	22.8	1,414.6
Investments	7.3	61.4	20.2	88.9
Transaction-based reclassifications	–	8.4	(8.4)	–
Other transfers between hierarchy levels	–	–	–	–
Disposals	(27.5)	(14.2)	–	(41.7)
Fees settled via equity	–	0.5	–	0.5
Change in revenue share ¹	–	–	–	–
Change in fair value ²	(416.0)	93.6	3.1	(319.3)
Change in FX ²	2.2	13.3	0.4	15.9
At 31 December 2022	228.7	892.1	38.1	1,158.9

1. For description of revenue share arrangement see description in note 19.

2. The total unrealised change in fair value and FX in respect of Level 3 investments was a loss of £85.8m (2022: gain of £110.4m).

Unquoted equity and debt investment are measured in accordance with IPEV guidelines with reference to the most appropriate information available at the time of measurement. Where relevant, several valuation approaches are used in arriving at an estimate of fair value for an individual asset.

For assets and liabilities that are recognised at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. Transfers between levels are then made as if the transfer took place on the first day of the period in question, except in the cases of transfers between tiers based on an initial public offering ("IPO") of an investment wherein the changes in value prior to the IPO are calculated and reported in level 3, and those changes post are attributed to level 1.

Transfers between level 3 and level 1 occur when a previously unquoted investment undertakes an initial public offering, resulting in its equity becoming quoted on an active market. In the current period, transfers of this nature amounted to £1.8m (2022: £nil).

Transfers between level 1 and level 3 would occur when a quoted investment's market becomes inactive, or the portfolio company elects to delist. There has been one instance in the current year, totalling £0.0m (2022: no instances).

Transfers between level 3 debt and level 3 equity occur upon conversion of convertible debt into equity. In the current year, transfers of this nature amounted to £7.8m (2022: £8.4m).

The Group has considered the impact of ESG and climate change issues on its portfolio, including performing a materiality assessment which suggested the Group's portfolio has a relatively low level of climate change risk, and clear areas of opportunity via the Group's Cleantech investments. For an overview of the portfolio split by sector, please refer to the portfolio analysis by sector

above. We believe our current valuation approach, based largely on quoted valuations, and funding transactions, reflects market participant assessment of the ESG and climate risks and opportunities of our portfolio.

Valuation inputs and sensitivities

Unobservable inputs are typically portfolio company-specific and, based on a materiality assessment, are not considered significant either at an individual company level or in aggregate where relevant for common factors such as discount rates.

The sensitivity analysis table below has been prepared in recognition of the fact that some of the valuation methodologies applied by the Group in valuing the portfolio investments involve subjectivity in their significant unobservable inputs. The table illustrates the sensitivity of the valuations to these inputs. The inputs of investments valued using techniques which involve significant subjectivity have been flexed, as below.

Valuation Technique	Fair value of investments	Variable inputs	Variable input sensitivity	Positive impact		Negative impact		Fair value of investments
	2023 £m		%	£m	% of NAV	£m	% of NAV	2022 £m
Quoted	203.8	n/a	n/a	n/a	n/a	n/a	n/a	228.7
Funding transaction <12 months	187.9	n/a	+/-5	9.4	0.8	(9.4)	(0.8)	289.8
Funding transaction >12 months	162.7	n/a	+/-5	8.1	0.7	(8.1)	(0.7)	117.8
Other: Future market/commercial events	25.0	Estimated impact of future event Execution risk discount applied to future event (where positive) Scenario probabilities Discount rates Extent to which future event is indicative of facts and circumstances in existence at the balance sheet date	+/-10	2.5	0.2	(2.5)	(0.2)	40.7
Other: Adjusted financing price based on past performance – Upwards*	99.9	Company-specific milestone analysis resulting in a positive calibration adjustment versus the previous funding transaction price	+/-10	10.0	0.8	(10.0)	(0.8)	149.8
Other: Adjusted financing price based on past performance – Downwards*	203.9	Company-specific milestone analysis resulting in a negative calibration adjustment versus the previous funding transaction price	+/-10	20.4	1.7	(20.4)	(1.7)	156.5
Other: Revenue multiple*	85.4	Estimate of future recurring revenues Selection of comparable companies Discount/premium to multiple	+/-10	8.5	0.7	(8.5)	(0.7)	77.9
Other: DCF*	126.6	Discount rate Clinical trial and drug approval success rates Estimate of likelihood, value and structure of a potential pharmaceutical partnership Estimate of addressable market Market share and royalty rates Probability estimation of liquidity event Estimate of forward exchange rates	+/-20	25.3	2.1	(25.3)	(2.1)	97.7
Total	1,095.2			84.3	7.1	(84.3)	(7.1)	1,158.9

* Due to the large number of inputs used in the valuation of these assets, unobservable inputs are below a size threshold that would warrant disclosure under IFRS 13, paragraph 93(d). Due to the large number of inputs, any range of reasonably possible alternative assumptions does not significantly impact the fair value and hence no valuation sensitivity is required under IFRS 13 paragraph 93(h)(ii).

Within the 'Other: DCF' category on above is Istesso Limited, in which we value the equity of IP Group's holding at £86.7m as at 31 December 2023 (2022: £80.8m). The valuation of the equity in this company is based on a DCF model in which the key inputs include the discount rate, probability of clinical trial success, market share and royalty rates and the selection of relevant comparable deal sizes. The DCF model assesses the value of the future cash flows which would arise from the successful development of the company's lead asset Leramistat, which is in a Phase IIb trial, within Rheumatoid Arthritis. Our estimated range for the value of the Group's equity investment as at 31 December 2023 is £80m to £120m (2022: £65m to £105m). A valuation range was not calculated in respect of the Group's debt investment in Istesso Limited, which totals £27.0m (2022: £14.8m)

Within the 'Adjusted valuation' category on above is First Light Fusion Limited, whose equity is valued at £64.9m as at 31 December 2023 (2022: £114.5m). The valuation of this company is based on the last financing round price, calibrated upwards to reflect (inter alia) its achievement of fusion subsequent to the fundraising, and an assessment of recent comparable company financing transactions. Our estimated range for the value of the Group's equity investment in First Light Fusion based on this model as at 31 December 2023 is £48m to £99m (2022: £93m to £186m).

In addition to Istesso Limited and First Light Fusion Limited, nine other assets were reviewed by external valuers, using a broad range of relevant inputs. The aggregate of the range of valuations they concluded upon for these nine assets was £252.2m-£317.5m, and we have selected points within these ranges which in aggregate total £267.3m (2022: £234.7m-286.5m, £246.7m).

	2023 £m	2022 £m
Change in fair value in the year (including fx)		
Fair value gains	97.4	183.3
Fair value losses	(208.3)	(486.7)
	(110.9)	(303.4)

The Company's interests in subsidiary undertakings are listed in note 10 to the Company's financial statements.

Currency risk

Exposure to currency risk through asset allocation, which is calculated by reference to the currency in which the asset or liability is quoted, is shown below. A +/-1% sensitivity has been included to demonstrate the effect of fluctuations in foreign exchange rates. 1% is (£considered to be appropriate due to the stable currencies in which we hold cash.

At 31 December 2023

	Investments £m	Sensitivity +/- 1% £m
US dollar	85.5	0.8
Australian dollar	99.9	1.0
Euro	6.7	0.1
Swedish Krona	1.6	–
Total	193.7	1.9

At 31 December 2022

	Investments £m	Sensitivity +/- 1% £m
US dollar	102.2	1.0
Australian dollar	49.6	0.5
Euro	3.0	–
Swedish Krona	1.5	–
Total	156.3	1.5

14. Portfolio: Limited and limited liability partnership interests

Accounting Policy:

Valuations in respect of Limited and Limited Liability Funds are based on IP Group's share of the Net Asset Value of the fund as per the audited financial statements prepared by the fund manager. The key judgements in the preparation of these accounts relate to the valuation of unquoted investments.

Investments in these Limited and Limited Liability Partnerships are recognised at fair value through profit and loss in accordance with IFRS 9.

'Changes in fair value of Limited Partnership investments' per the Group Income Statement represents revaluation gains and losses on the Group's investment in Limited Partnership funds.

Fund interests are valued on a net asset basis, estimated based on the managers' NAVs. Manager's NAVs apply valuation techniques consistent with IFRS and are subject to audit. Where audited accounts are received in arrears of the publication of the Group's

results hence these are marked as unaudited in the table below, however a retrospective review of audited accounts versus earlier unaudited results is carried out. Managers' NAVs are usually published quarterly, two to four months after the quarter end. The below table analyses the fund valuations with reference to manager NAV dates used at 31 December.

Limited & Limited Liability Partnerships	Functional currency	Status	2023 £m	2022 £m
IPG Cayman Fund L.P. (Longview Innovation)	USD	Unaudited & Adjusted downwards	46.0	80.0
UCL Technology Fund L.P.	GBP	Unaudited	20.7	16.9
Technikos LLP	GBP	Unaudited & Adjusted downwards	3.0	2.7
Total			69.7	99.6

We reviewed the underlying valuation methodologies adopted by our Fund managers for all Fund investments of material value.

Following our review of valuation methodologies we were satisfied that the techniques utilised were appropriate, other than in respect of IPG Cayman Fund L.P. where a downwards adjustment was made to the fund manager's NAV estimate.

Limited & Limited Liability Partnerships movements in year	£m
At 1 January 2023	99.6
Investments during the year	9.8
Distribution from Limited Partnership funds	(0.9)
Change in fair value during the year	(36.5)
Currency revaluation	(2.3)
At 31 December 2023	69.7
At 1 January 2022	92.9
Investments during the year	4.6
Distribution from Limited Partnership funds	–
Change in fair value during the year	8.5
Currency revaluation	(6.4)
At 31 December 2022	99.6

The Group considers interests in limited and limited liability partnerships to be level 3 in the fair value hierarchy throughout the current and previous financial years.

The valuation of the Group's interests in limited and limited liability partnerships is a significant accounting estimate, as management has applied judgment in adjusting the NAV estimates provided by the fund manager. Such adjustments were based on an assessment of the valuations of specific equity and debt investments in portfolio companies held within the fund in question. In making these assessments, the Group has applied a valuation methodology consistent with that set out in Note 13. Unobservable inputs are were portfolio company-specific and, based on a materiality assessment, are not considered individually significant either at an individual company level or in aggregate where relevant for common factors such as discount rates.

If no adjustment had been made to the NAV estimates provided by the fund manager, the carrying value of Limited Liability investments would be higher by £9.8m.

15. (Loss)/gain on disposal of equity investments

	2023 £m	2022 £m
Proceeds from sale of equity and debt investments	37.7	28.1
Movement in amounts receivable on sale of debt and equity investments	(39.0)	5.8
Carrying value of investments	(9.5)	(41.7)
(Loss)/profit on disposal	(10.8)	(7.8)

(Loss)/profit on disposal of investments is calculated as disposal proceeds plus deferred and contingent consideration receivable in respect of the sale, less the carrying value of the investment at the point of disposal.

The subsequent receipt of deferred and contingent consideration amounts is reflected in the above table as a positive amount of disposal proceeds and a negative movement in amounts receivable on sale of debt and equity investments, resulting in no overall movement in profit on disposal.

16. Trade and other receivables

	2023 £m	2022 £m
Current assets		
Trade debtors	0.6	2.1
Prepayments	0.8	0.8
Right of use asset ¹	–	0.7
Interest receivable	2.9	–
Other receivables	6.8	5.2
Trade and other receivables	8.2	8.8

¹ Now presented under long term assets on the Group Balance Sheet.

The directors consider the carrying amount of trade and other receivables at amortised cost to approximate their fair value. All receivables are interest free, repayable on demand and unsecured.

17. Receivable on sale of debt and equity investments

Accounting Policy:

Consideration in respect of the sale of debt and equity investments may include elements of deferred consideration where payment is received at a pre-agreed future date, and/or elements of contingent consideration where payment is received based on, for example, achievement of specific drug development milestones. In such instances, these amounts are designated at fair value through profit and loss on initial recognition. Any subsequent remeasurement will be recognised as changes in fair value in the statement of comprehensive income.

	2023 £m	2022 £m
Deferred and contingent consideration (non-current)	7.8	6.9
Deferred and contingent consideration (current)	1.4	41.3
Total deferred and contingent consideration	9.2	48.2

The following table summarises the primary valuation basis used to value the deferred and contingent consideration:

Investment	Primary Valuation Basis	2023 £m	2022 £m
WaveOptics Limited	Discounted sale amount	–	28.8
Enterprise Therapeutics Holdings Limited	Probability-weighted DFC model reflecting potential milestone payments	7.7	12.5
Athenex, Inc.	Probability-weighted DFC model reflecting potential milestone payments	–	5.6
Reinfer Limited	Discounted sale amount	–	1.1
Perpetuum Limited	Discounted sale amount	–	0.2
Zhipp Limited	Probability-weighted DFC model reflecting potential milestone payments	1.5	–
Total		9.2	48.2

During 2023, consideration of £30.8m was received in 2023 relating to WaveOptics Limited, £1.5m was received relating to Reinfer and £0.1m was received relating to Perpetuum. Athenex, Inc. entered liquidation in 2023 and the fair value estimate of contingent consideration (triggered by future milestones) was reduced to £nil (2022: £5.6m).

18. Trade and other payables

	2023 £m	2022 £m
Current liabilities		
Trade payables	0.5	1.3
Social security expenses	0.6	0.6
Bonus accrual	3.0	2.8
Lease liability	1.4	0.9
Payable to Imperial College and other third parties under revenue share obligations (see note 20)	6.9	7.1
Other accruals and deferred income	4.7	4.2
Trade and other payables	17.1	16.9

19. Borrowings and Loans from Limited Partners of consolidated funds

	2023 £m	2022 £m
Current liabilities		
Borrowings	6.3	6.3
Total	6.3	6.3

	2023 £m	2022 £m
Non-current liabilities		
Loans drawn down from the Limited Partners of consolidated funds	19.8	19.5
Borrowings	128.9	75.1
Total	148.7	94.6

Accounting Policy:

The Group consolidates the assets of a co-investment fund, IP Venture Fund II LP, which it manages. Loans from third parties of consolidated funds represent third-party LP loans into this partnership. Under the terms of the Limited Partnership Agreement, these loans are repayable only upon these funds generating sufficient realisations to repay the Limited Partners. Management anticipates that the funds will generate the required returns and consequently recognises the full associated liabilities.

The classification of these loans as non-current reflects the forecast timing of returns and subsequent repayment of loans, which is not anticipated to occur within one year.

As at 31 December, loans from Limited Partners of consolidated funds comprised loans into IP Venture Fund II LP £19.8m (2022: £19.5m).

Borrowings**Accounting Policy:**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of comprehensive income over the period of the borrowing using the effective interest rate method. Costs incurred in the course of issuing additional debt are recognised on the balance sheet and charged to the income statement on a straight line basis over the term of the borrowings.

In 2023, the Group drew a second £60m tranche of the £120m private placing it agreed with investors including Phoenix Group in 2022. The terms of the facilities are summarised below:

Description	Initial amount	Outstanding amount	Date drawn	Interest rate	Repayment terms	Repayment commencement date
EIB Facility	£50.0m	£15.6m	Feb 2017	Fixed 3.026%	8 years	Jul 2018
IP Group Series A Notes	£20.0m	£20.0m	Dec 2022	Fixed 5.230%	5 years	Dec 2027
IP Group Series B Notes	£20.0m	£20.0m	Dec 2022	Fixed 5.210%	6 years	Dec 2028
IP Group Series C Notes	£20.0m	£20.0m	Dec 2022	Fixed 5.300%	7 years	Dec 2029
IP Group Series D Notes	£20.0m	£20.0m	Jun 2023	Fixed 5.230%	5 years	Dec 2027
IP Group Series E Notes	£20.0m	£20.0m	Jun 2023	Fixed 5.210%	6 years	Dec 2028
IP Group Series F Notes	£20.0m	£20.0m	Jun 2023	Fixed 5.30%	7 years	Dec 2029
Total	£170.0m	£135.6m				

Loans totalling £135.6m (2022: £81.9m) are subject to fixed interest rates and are recognised at amortised cost. The fair value of these loans as at 31 December 2023 is £125.3m (2022: £76.9m).

In December 2022, the Group drew down the first Tranche of £60m of a £120m loan Note Purchase Agreement ("NPA") and a further £60m in June 2023. The NPA contains the following covenants:

- Total equity must be at least £500m as at the Group's 30 June and 31 December reporting dates
- Gross debt less restricted cash must not exceed 25% of total equity as at the Group's 30 June and 31 December reporting dates
- The Group must maintain cash and cash equivalents of not less than £25m at any time

Breach of any of the above covenants constitutes default under the NPA.

The NPA also includes the concept of a 'Cash Trap', which is triggered based on conditions listed below. In the event of the Cash Trap being triggered, the Group is not permitted to pay or declare a dividend or purchase any of its shares. In addition, investments are restricted to £2.5m per calendar quarter other than those legally committed to. The Group is also required to place the net proceeds of all realisations (over a threshold of £1m) into a blocked bank account. Entering a Cash Trap does not constitute a default under the NPA.

A Cash Trap period is entered if any of the following conditions are breached.

- Total equity must be at least £750m as at the Group's 30 June and 31 December reporting dates
- Gross debt less restricted cash must not exceed 20% of total equity as at the Group's 30 June and 31 December reporting dates
- The Group must maintain cash and cash equivalents of not less than £50m at any time.

A cash trap period can be remedied by:

- Transferring sufficient cash into the restricted cash account so that gross debt less restricted cash is less than 20% of total equity

- If because of low equity of high leverage, once these are restored at a subsequent 30 June or 31 December measurement date
- If because of low liquidity, once two month-ends have passed with liquidity > £50m

The EIB loan contains a debt covenant requiring that the ratio of the total fair value of IP Group investments plus cash and qualifying liquidity to debt should at no time fall below 6:1. The Group must maintain that the amount of unencumbered funds freely available to the Group set with reference to the outstanding EIB facility which was £15.6m at December 2023 (2022: £21.9m). The loan also stipulates that on any date, the aggregate of all amounts scheduled for payment to the EIB in the following six months should be kept in a separate bank account, which totalled £3.3m on 31 December 2023 (2022: £3.4m). The Group is required to maintain a minimum cash balance of £9.4m (2022: £13.1m).

The Group closely monitors that the covenants are adhered to on an ongoing basis and has complied with these covenants throughout the year. The Group will continue to monitor the covenants' position against forecasts and budgets to ensure that it operates within the prescribed limits.

The 2023 NPA includes fixed and floating charges over the Company's assets, details of which are available on Companies House.

The maturity profile of the borrowings including undiscounted cash flows and fixed interest is as follows:

	2023 £m	2022 £m
Due within 6 months	6.4	4.8
Due 6 to 12 months	6.4	4.8
Due 1 to 5 years	112.4	48.4
Due after 5 years	42.1	43.1
Total¹	167.3	101.1

The maturity profile of the borrowings was as follows:

	2023 £m	2022 £m
Due within 6 months	3.1	3.1
Due 6 to 12 months	3.1	3.2
Due 1 to 5 years	89.4	35.6
Due after 5 years	40.0	40.0
Total¹	135.6	81.9

1. These are gross amounts repayable and exclude amortised costs of £0.4m (2022: £0.5) incurred on obtaining the Phoenix loans, these are amortised on a straight line basis over the life of the borrowings.

A reconciliation in the movement in borrowings is as follows:

	2023 £m	2022 £m
At 1 January	81.4	51.8
Amortisation of costs	–	–
Capitalised loan costs	–	(0.6)
Repayment of debt	(6.2)	(29.8)
New borrowings	60.0	60.0
At 31 December	135.2	81.4

There were no non-cash movements in debt.

20. Revenue share liability

Accounting Policy:

The Group provides for liabilities in respect of revenue sharing obligations arising under the former Technology Pipeline Agreement with Imperial College London. Under this agreement, the Group received founder equity in spin out companies from Imperial College, and following a sale of such founder equity, a pre-specified "revenue share" (typically 50%) is payable to Imperial College and other third parties. The liability for this revenue share, based on fair value, is recognised as part of the movement in fair value through profit or loss (see note 13 for further details).

	2023 £m	2022 £m
Current liabilities: revenue share liability (note 18)	6.9	7.1
Non-current liabilities: revenue share liability (note 13)	6.4	13.0
Revenue share liability	13.3	20.1

Prior to 2018, the Group operated the Technology Transfer Office of Imperial College, under a contract referred to as the Technology Pipeline Agreement ("TPA"). Under the terms of this TPA, the Group owns licences, patents and equity in spin-out companies generated through Intellectual Property commercialised from Imperial College but is subject to various revenue-sharing

arrangements whereby income generated from this Intellectual Property is shared with Imperial College (and other third parties where they have provided funding to research which is subsequently commercialised). These are categorised into short-term and long-term liabilities as follows:

Short-term liabilities: Revenue share arrangement

These represent a share of invoiced revenue in respect of licences and patents governed by the TPA, and a share of proceeds from the disposal of equity where a disposal of equity which is subject to revenue share (see further details below) has taken place. The maturity date on such liabilities is typically less than six months.

Long-term liabilities: Revenue share arrangement

Under the Group's former Technology Pipeline Agreement with Imperial College London, the Group received founder equity in spin out companies from Imperial College. Following any sale of such founder equity stakes, a pre-specified revenue share (typically 50%) is payable to Imperial College and other third parties. As at 31 December 2023, £6.4m (2022: £13.0m) of our equity investments were payable on their disposal to Imperial College and other third parties under these arrangements (i.e. 50% of a gross investment amount of approximately £13m) (2022: £26m). A corresponding non-current liability is recognised in respect of these revenue sharing obligations based on the fair value of the related assets. There is no fixed maturity on the liability as it becomes payable following the sale of the related portfolio equity investment.

Movements in long term revenue share are as follows:

	2023 £m	2022 £m
At 1 January	13.0	13.1
Movements in value of equity investments where revenue share is payable	(0.3)	(0.1)
Disposals in year resulting in transfer to short term revenue share	(6.3)	-
At 31 December	6.4	13.0

21. Share capital

Accounting policy:

Financial instruments issued by the Group are treated as equity if the holders have only a residual interest in the Group's assets after deducting all liabilities. The objective of the Group is to manage capital so as to provide shareholders with above-average returns through capital growth over the medium to long-term. The Group considers its capital to comprise its share capital, share premium, merger reserve and retained earnings.

	2023		2022	
	Number	£m	Number	£m
Issued and fully paid:				
Ordinary shares of 2p each				
At 1 January	1,063,188,005	21.3	1,063,033,287	21.3
Issued in respect of scrip dividend	-	-	154,718	-
Share capital at 31 December	1,063,188,005	21.3	1,063,188,005	21.3
Existing treasury shares at 1 January	(28,110,373)	(0.6)	(22,279,127)	(0.4)
Purchase of treasury shares	(220,302)	-	(7,429,494)	(0.1)
Transfer of shares in respect of scrip dividend	-	-	330,851	-
Shares transferred out of treasury for SAYE	285,335	-	497,249	-
Settlement of employee share-based payments	1,551,820	-	770,148	-
Outstanding at 31 December	1,036,694,485	20.7	1,035,077,632	20.8

The Company has one class of ordinary shares with a par value of 2p ("Ordinary Shares") which carry equal voting rights, equal rights to income and distributions of assets on liquidation, or otherwise, and no right to fixed income.

During 2023, the Company purchased 220,302 ordinary shares (2022: 7,429,494 ordinary shares), with an aggregate value of £0.2k (2022 - £8.0m), and they are held in treasury. Retained profits have been reduced by £0.2k (2022: £7.9m), being the net consideration paid for these shares, including the expenses directly relating to the treasury share purchase.

22. Share-based payments

In 2023, the Group continued to incentivise employees through its LTIP and AIS. The main terms of both are described in more detail in the Directors' Remuneration Report.

Deferred bonus share plan ("DBSP")

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

	Number of options 2023	Weighted- average exercise price 2023	Number of options 2022	Weighted- average exercise price 2022
At 1 January	2,556,682	–	1,311,615	–
AIS deferral shares award during the year	1,120,292	–	2,066,174	–
Exercised during the year	(1,523,595)	–	(821,107)	–
At 31 December	2,153,379	–	2,556,682	–
Exercisable at 31 December	–	–	2,881	–

1,551,820 shares were transferred from treasury in respect of DBSP scheme during the year, comprising 1,523,595 DBSP options exercised on 14th April 2023 and 28,25 relating to dividends accrued on those options.

The options outstanding at 31 December 2023 had an exercise price of £nil (2022: £nil) and a weighted-average remaining contractual life of 0.5 years (2022: 0.6 years).

The weighted average share price at the date of exercise for share options exercised in 2023 was 61.0p (2022: 84.4p). The aggregate gain made by directors on the exercise of options in the year (all of which related to the DBSP) was £0.2m.

As the 2023 AIS financial performance targets were met and as the number of DBSP options to be granted in order to defer such elements of the AIS payments as are required under our remuneration policy are based on a percentage of employees' salary, the share-based payments line includes the associated share-based payments expense incurred in 2023.

IP Group Restricted Share Plan ("RSP")

As set out in the Remuneration Policy approved by shareholders in 2022, a Restricted Share Plan was introduced in 2022 to replace the previous LTIP structure. Vesting of these awards will take place over a three-year period commencing on 1 April 2023. Any RSP awards that vest will be subject to a further two-year holding period. Vesting may be subject to a financial underpin based on NAV growth over the vesting period. For 2022 awards, the financial underpin has been set such that NAV per share on the vesting date must be no lower than 100% of NAV per share on the award date, after making appropriate adjustments for dividends, buy-backs and any other distributions. Further information on the Group's RSP is set out in the Directors' Remuneration Report.

The 2023 RSP awards were made on 13 April 2023. The awards will ordinarily vest on 31 March 2026, to the extent that the performance conditions have been met.

The movement in the number of shares conditionally awarded under the RSP is set out below:

	Number of options 2023	Weighted- average exercise price 2023	Number of options 2022	Weighted- average exercise price 2022
At 1 January	3,458,509	–	–	–
Lapsed during the year	–	–	–	–
Forfeited during the year	(16,367)	–	(74,235)	–
Notionally awarded during the year	6,796,721	–	3,532,744	–
At 31 December	10,238,863	–	3,458,509	–
Exercisable at 31 December	–	–	–	–

The options outstanding at 31 December 2023 had an exercise price in the range of £nil (2022: £nil) and a weighted-average remaining contractual life of 3.9 years (2022: 4.2 years).

The fair value of the RSP shares notionally awarded in 2023 was calculated using the Finnerty pricing model with the following key assumptions:

	2023	2022
IP Group share price as of valuation date	£0.602	£0.558
Exercise price	£nil	£nil
Indicated Discount for Lack of Marketability	15%	15%
Adjusted probability assigned for performance conditions	20%	20%
Fair value at grant date	£0.24	£0.21

Pre-2022 IP Group Long Term Incentive Plan ("LTIP")

Awards under the LTIP take the form of conditional awards of ordinary shares of 2p each in the Group which vest over the prescribed performance period to the extent that performance conditions have been met. The Remuneration Committee imposes objective conditions on the vesting of awards and these take into consideration the guidance of the Group's institutional investors from time to time. General information on the Group's LTIP is set out in the Directors' Remuneration Report.

The 2021 LTIP awards were made on 6 May 2021. The awards will ordinarily vest on 31 March 2024, to the extent that the performance conditions have been met. The awards are based on the performance of the Group's NAV and Total Shareholder Return ("TSR"). Both performance measures are combined into a matrix format to most appropriately measure performance relative to the business, as shown in the Directors' Remuneration Report within the Group's 2021 Annual Report and Accounts. The total award is subject to an underpin based on the relative performance of the Group's TSR to that of the FTSE 250 index, which can reduce the

awards by up to 50%. The 2021 LTIP matrix is designed such that up to 100% of the award (prior to the application of the underpin) will vest in full in the event of both NAV increasing by 15% per year on a cumulative basis, from 1 January 2021 to 31 December 2023, and TSR increasing by 15% per year on a cumulative basis from the date of award to 31 March 2024, using an industry-standard average price period at the beginning and end of the performance period. Further, the matrix is designed such that 30% of the award shall vest (again prior to the application of the underpin) if the cumulative increase is 8% per annum for both measures over their respective performance periods ("threshold performance"). A straight-line sliding scale is applied for performance between the distinct points on the matrix of vesting targets.

The 2020 awards partially met the threshold performance target and 1,066,196 vested, 6,759,628 lapsed on 31 March 2023. NAV growth to 31 December 2022 was above the minimum threshold and below the maximum threshold. The one-month average share price at 31 March 2023 was below the minimum TSR target. As a result 13.67% of the 2020 LTIP awards vested on 31 March 2023. Vested shares are subject to a further two-year holding period until 31/03/2025 and will be issued to participants only at the end of this period.

The table below sets out the performance measures relating to the 2020 LTIP awards and the actual performance achieved.

Performance condition	Target Performance	Actual Performance
NAV (at 31 Dec 2022)	8%: £1.37bn	£1.38bn
	15%: £1.66bn	(+8.1% p.a.)
Annual TSR (share price)	8%: 69.9p	57.6p
	15%: 82.3p	(+0.2% p.a. growth)
	FTSE 250	
Comparative TSR	-3.7%	IP Group 0.2%

The movement in the number of shares conditionally awarded under the LTIP is set out below:

	Number of options 2023	Weighted-average exercise price 2023	Number of options 2022	Weighted-average exercise price 2022
At 1 January	14,490,039	–	17,113,631	–
Lapsed during the year	(6,759,628)	–	(2,534,571)	–
Forfeited during the year	(1,918)	–	(89,021)	–
Notionally awarded during the year	–	–	–	–
At 31 December	7,728,493	–	14,490,039	–
Exercisable at 31 December	4,596,014	–	3,529,818	–

The options outstanding at 31 December 2023 had an exercise price in the range of £nil (2022: £nil) and a weighted-average remaining contractual life of 0.8 years (2022: 2.0 years).

The fair value of LTIP shares awarded in 2021 for which a charge has been recognised in the year was calculated using Monte Carlo pricing models with the following key assumptions:

	2021
Share price at date of award	£1.254
Exercise price	£nil
Fair value at grant date	£0.35
Expected volatility (median of historical 50-day moving average)	39%
Expected life (years)	3.0
Expected dividend yield	0%
Risk-free interest rate	0.3%

The fair value charge recognised in the statement of comprehensive income during the year in respect of all share-based payments, including the DBSP, RSP and LTIP was £2.6m (2022: £2.9m).

23. Long-term incentive carry scheme – Carried interest plan liability

Accounting Policy:

The Group operates a number of Long Term Incentive Carry Schemes ("LTICS") for eligible employees which may result in payments to scheme participants relating to returns from investments.

Under the Group's LTICS arrangements, a profit-sharing mechanism exists whereby if a specific vintage delivers returns in excess of the base cost of investments together with an agreed hurdle rate, scheme participants receive a share of excess returns. Of the Group's total equity and debt investments, 69.0% are included in LTICS arrangements (2022: 66.6%).

The calculation of the liability in respect of the Group's LTICS is derived from the fair value estimates for the relevant portfolio investments and does not involve significant additional judgement (although the fair value of the portfolio is a significant accounting

estimate). The actual amounts of carried interest paid will depend on the cash realisations of individual vintages, and valuations may change significantly in the next financial year. Movements in the liability are recognised in the consolidated statement of comprehensive income.

	2023 £m	2022 £m
At 1 January	44.1	33.1
Charge for the year	(4.7)	12.0
Payments made in the year	(1.3)	(1.0)
Foreign exchange rate movement	(0.1)	-
At 31 December	38.0	44.1

24. Related party transactions

The Group has various related parties arising from its key management, subsidiaries and equity stakes in portfolio companies.

A) Key management transactions

(i) Key management personnel transactions

The following key management held shares in the following spin-out companies as at 31 December 2023:

Director/ PDMMR	Company name	Number of shares held at 1 January 2023	Number of shares acquired/ (disposed of) in the period	Number of shares held at 31 December 2023	%
Greg Smith	Alesi Surgical Limited	2	-	2	<0.1%
	Crysalin Limited ¹	149	-	149	<0.1%
	Emdot Limited ¹	4	-	4	0.23%
	Istesso Limited	313,425	-	313,425	0.37%
	Itaconix plc	4,500	-	4,500	<0.1%
	Mirriad Advertising plc	16,667	-	16,667	<0.1%
	Oxa Autonomy Limited ²	8	-	8	<0.1%
	Oxford Nanopore Technologies plc	27,008	-	27,008	<0.1%
	Rio AI Limited	144,246	-	144,246	<0.1%
	Surrey Nanosystems Limited	88	-	88	<0.1%
	Tissue Regenix Group plc ³	5,000	-	5,000	<0.1%
	Xeros Technology plc	13	-	13	<0.1%
David Baynes	Alesi Surgical Limited	4	-	4	<0.1%
	Arkivum Limited	377	-	377	<0.1%
	Creavo Medical Technologies Limited ¹	46	-	46	<0.1%
	Mirriad Advertising plc	16,667	-	16,667	<0.1%
	Oxford Nanopore Technologies plc	2,784	-	2,784	<0.1%
	Ultraleap Holdings Limited	2,600	-	2,600	<0.1%
	Zeetta Networks Limited	424	-	424	0.11%
Mark Reilly	Actual Experience plc ¹	28,000	-	28,000	<0.1%
	AudioScenic Limited	53	-	53	<0.1%
	Bramble Energy Limited	16	-	16	<0.1%
	Diffblue Limited	8,038	-	8,038	<0.1%
	Itaconix plc	377,358	-	377,358	<0.1%
	Mirriad Advertising plc	66,666	-	66,666	<0.1%
	Mixergy Limited	-	126	126	<0.1%
	Oxa Autonomy Ltd ²	8	-	8	<0.1%
	Ultraleap Holdings Limited	1,700	-	1,700	<0.1%
Sam Williams	Accelercomm Limited	127	-	127	<0.1%
	Alesi Surgical Limited	1	-	1	<0.1%
	Centessa Pharmaceuticals plc	3,247	-	3,247	<0.1%
	Creavo Medical Technologies Limited ¹	23	-	23	<0.1%
	Genomics plc	333	-	333	<0.1%
	Ibex Innovations Limited	1,701	-	1,701	<0.1%
	Istesso Limited	7,048,368	-	7,048,368	8.29%
	Microbiotica Limited	7,000	-	7,000	<0.1%
	Mirriad Advertising plc	3,333	-	3,333	<0.1%
	Oxa Autonomy Ltd ²	3	-	3	<0.1%
	Oxehealth Limited	33	32	65	<0.1%
	Oxford Nanopore Technologies plc	25,609	-	25,609	<0.1%
	Topivert Limited ¹	1,000	-	1,000	<0.1%

1. Company being closed down
2. Previously called Oxbotica Limited
3. Opening position restated to reflect 100:1 share consolidation during the period

Policy for Executive Director holdings in Portfolio Companies

The policy for Executive Director shareholdings in portfolio companies specifies:

- New direct investments in portfolio companies by executive directors are prohibited, with the exception of the take-up of pre-emption rights which relate to existing portfolio company shareholdings. Both Mr Smith and Mr Baynes are covered by this policy.
- Mr Smith and Mr Baynes have voluntarily submitted to an additional binding condition such that any net proceeds received as a result of realisations from direct holdings in portfolio companies that exceed £250,000 will be used to purchase shares in IP Group, until such time as they meet the Minimum Shareholding Requirement set for their role (currently 350% of annual salary for Mr Smith, 250% for Mr Baynes).

(ii) Key management personnel compensation

Key management personnel compensation comprised the following:

	2023 £000	2022 £000
Short-term employee benefits ¹	3,091	3,918
Post-employment benefits ²	108	99
Other long-term benefits	–	–
Termination benefits	–	–
Share-based payments ³	1,161	1,374
Total	4,360	5,391

1. Represents key management personnel's base salaries, benefits including cash in lieu of pension where relevant, and the cash-settled element of the Annual Incentive Scheme.
2. Represents employer contributions to defined contribution pension and life assurance plans.
3. Represents the accounting charge for share-based payments, reflecting LTIP and DBSP options currently in issue as part of these schemes. See note 23 for a detailed description of these schemes.

B) Portfolio companies

(i) Services

The Group earns fees from the provision of business support services and corporate finance advisory services to portfolio companies in which the Group has an equity stake. Through the lack of control over portfolio companies these fees are considered arm's length transactions. The following amounts have been included in respect of these fees:

	2023 £m	2022 £m
Statement of comprehensive income		
Revenue from services	–	0.2

	2023 £m	2022 £m
Statement of financial position		
Trade receivables	0.1	–

(ii) Investments

The Group makes investments in the equity and debt of unquoted and quoted investments where it does not have control but may be able to participate in the financial and operating policies of that company. It is presumed that it is possible to exert significant influence when the equity holding is greater than 20%. The Group has taken the Venture Capital Organisation exception as permitted by IAS 28 and not recognised these companies as associates, but they are related parties. The total amounts included for investments where the Group has significant influence but not control are as follows:

	2023 £m	2022 £m
Statement of comprehensive income		
Net portfolio gains	31.7	75.0

	2023 £m	2022 £m
Statement of financial position		
Equity and debt investments	566.4	651.6

C) Subsidiary companies

Subsidiary companies that are not 100% owned either directly or indirectly by the parent company have intercompany balances (which are eliminated at a consolidated level) with other Group companies which are disclosed as follows:

	2023	2022
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	£m	£m
Intercompany balances with other Group companies	2.1	2.1

These intercompany balances represent funding loans provided by Group companies that are interest free, repayable on demand and unsecured.

25. Capital management

The Group's key objective when managing capital is to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and employees for other stakeholders. The Group sets the amount of capital in proportion to risk. The Group manages the capital structure, and makes adjustments to it, in light of changes in economic conditions and the risk characteristics of its underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of issued share capital, issue or repay debt and dispose of interests in portfolio companies.

During 2023, the Group's strategy, which was unchanged from 2022, was to maintain an appropriate level of cash and short-term deposit balances in line with the Group's capital allocation plans, whilst having sufficient cash reserves to meet working capital requirements in the foreseeable future.

The Group has external borrowings with associated covenants that are described in note 19. These include covenants around the Group's minimum equity and maximum debt/equity ratio. Consideration is given to the level of headroom against these covenants as part of the Group's capital allocation process where planning corporate actions such as dividends and share buy-backs which have an impact on the headroom level.

26. Capital commitments

Commitments to Limited Partnerships

Pursuant to the terms of their Limited Partnership agreements, the Group has committed to invest the following amounts into Limited Partnerships as at 31 December 2023:

Year ended 31 December 2023	Year of commencement of commitment	Commitment £m	Invested to date £m	Remaining commitment £m
IP Venture Fund II LP	2013	10.0	9.9	0.1
UCL Technology Fund LP	2016	24.8	23.2	1.6
Total at 31 December 2023		34.8	33.1	1.7

Year ended 31 December 2022	Year of commencement of commitment	Commitment £m	Invested to date £m	Remaining commitment £m
IP Venture Fund II LP	2013	10.0	9.8	0.2
UCL Technology Fund LP	2016	24.8	22.4	2.4
IP Cayman LP	2021	8.3	8.3	–
Total at 31 December 2022		43.1	40.5	2.6

In December 2023 the Group signed a Subscription Share Agreement to invest US\$15m in Hysata Pty Ltd. In May 2023, the Group signed a Convertible Loan Agreement whose terms included a commitment to invest £10m in Istesso Limited in 2024 following the issue of a drawdown notice by the company. Both these investments were made in January 2024

27. Dividends

	2023 pence per share	£m	2022 pence per share	£m
Ordinary shares:				
Interim dividend	0.51	5.3	0.50	5.3
Final dividend	0.76	7.7	0.72	7.4
Dividends paid to equity owners in the financial year	1.27	13.0	1.22	12.7
Proposed final dividend at financial year end	-	-	0.76	7.9

Of the £13.0m dividends paid in 2023, £13.0m was settled in cash (2022: £12.7m dividends, £12.3m settled in cash, £0.4m settled via the issue of equity). Due to the limited take up of scrip dividends the scheme has been discontinued.

On 18th December 2023 the Group announced that, in light of the prevailing discount between the Company's share price and its NAV per share, it had initiated a share buyback of up to £20 million. The Board remains committed to making regular cash returns to shareholders from realisations. In future these regular cash returns will normally be made in the form of share buybacks when the share price discount to NAV exceeds 20%. Regular dividend payments will be suspended under such conditions, including consideration of any final dividend for 2023.

29. Alternative performance measures ("APM")

IP Group management believes that the alternative performance measures included in this document provide valuable information to the readers of the financial statements as they enable the reader to identify a more consistent basis for comparing the business'

performance between financial periods and provide more detail concerning the elements of performance which the managers of the Group are most directly able to influence or are relevant for an assessment of the Group. They also reflect an important aspect of the way in which operating targets are defined and performance is monitored by the directors. These measures are not defined by IFRS and therefore may not be directly comparable with other companies' APMs, including those in the Group's industry. APMs should be considered in addition to, and are not intended to be a substitute for, or superior to, IFRS measurements.

The directors believe that these APMs assist in providing additional useful information on the underlying trends, performance and position of the Group. Consequently, APMs are used by the directors and management for performance analysis, planning, reporting and incentive-setting purposes.

				Calculation	
APM	Reference for reconciliation	Definition and purpose		2023 £m	2022 £m
NAV per share¹	Primary statements, note 21	NAV per share is defined as Net Assets divided by the number of outstanding shares.	NAV	£1,190.3m	£1,376.1m
			Shares in issue	1,036,694,48	1,035,077,632
		The measure shows net assets managed on behalf of shareholders by the Group per outstanding share.		5	
			NAV per share	114.8p	132.9p
		NAV per share is a standard measure used within our peer group and can be directly compared with the Group's share price.			
Return on NAV	Primary statements, note 4	Return on NAV is defined as the total comprehensive income or loss for the year excluding charges which do not impact on net assets, specifically share-based payment charges.	Total comprehensive income	(174.8)	(344.0)
			Excluding:		
		The measure shows a summary of the income statement gains and losses which directly impact NAV.	Share-based payment charge	2.6	2.9
			Return on NAV	(172.2)	(341.1)
Net portfolio gains/(losses 22)	note 13, 15, 22)	Net portfolio gains are defined as the movement in the value of holdings in the portfolio due as a result of realised and unrealised gains and losses.	Change in fair value of equity and debt investments	(110.9)	(303.4)
			Gain on disposal of equity investments	(10.8)	(7.8)
		The measure shows a summary of the income statement gains and losses which are directly attributable to the Total Portfolio (see definition above), which is a headline measure for the Group's portfolio performance.	Change in fair value of LP interests ²	(38.8)	2.1
			Net portfolio gains/(losses)	(160.5)	(309.1)
		This is a key driver of the Return on NAV which is a performance metric for directors' and employees' incentives.			
Total portfolio	Consolidated statement of financial position, note 13,14	Total portfolio is defined as the total of equity investments, debt investments and investments in LPs.	Equity investments	1,011.5	1,120.8
			Debt investments	83.7	38.1
		This measure represents the aggregate balance sheet amounts which the Group considers to be its investment portfolio, and which is described in further detail within the portfolio review section of the strategic report.	LP interests	69.7	99.6
			Total Portfolio	1,164.9	1,258.5
Portfolio investment	Primary statements	Portfolio investment is defined as the purchase of equity and debt investments plus investments into limited participation interests.	Purchase of equity and debt investments	(63.4)	(88.9)
		This gives a combined measure of investment into the Group's portfolio.	Investment in limited and limited liability partnerships	(9.8)	(4.6)
			Portfolio investment	(73.2)	(93.5)
Cash proceeds¹	Primary statements	Cash proceeds is defined as the proceeds from the disposal of equity and debt investments plus distributions received from limited participation interests.	Proceeds from the sale of equity investments	37.7	28.1
			Distributions from limited partnership funds	0.9	-
			Cash proceeds	38.6	28.1
Net overheads²	Financial review, note 8	Net overheads are defined as the Group's core overheads less operating income. The measure reflects the Group's controllable net operating "cash-equivalent" central cost base.	Other income	5.9	7.1
			Other administrative expenses	(28.0)	(27.4)
			Excluding:		

Net overheads exclude items such as share-based payments and consolidated portfolio company costs.

			Non-portfolio foreign exchange movements	(0.4)	0.1
			Administrative expenses: consolidated portfolio companies	-	0.1
			Net overheads	(22.5)	(20.1)
Gross cash and deposits	Primary statements	Cash and deposits is defined as cash and cash equivalents plus deposits.	Cash and cash equivalents	100.9	88.7
			Deposit	126.0	152.8
		The measures give a view of the Group's liquid resources on a short-term timeframe. The Group's Treasury Policy has a maximum maturity limit of 13 months for deposits.	Cash	226.9	241.5
Loss excluding ONT	Primary statements	(Loss)/profit excluding ONT is defined as the Groups (loss)/profit for the year (after tax) excluding the (loss)/profit on the investment held in Oxford Nanopore publicly quoted shares both realised and unrealised.	(Loss) for the year	(174.4)	(344.5)
			Excluding:		
			Change in fair value of equity investment in Oxford Nanopore	31.9	369.7
		This measure gives a view of the results of this business excluding this single investment which, given its size and recent share price volatility, may be helpful to users of the accounts as a view of the underlying business.	(Loss)/profit excluding ONT	(142.5)	25.2
Simple return on capital (%)³	Note 29	Defined as net portfolio gains/losses divided by the opening total portfolio value.	Net portfolio (losses)	(160.5)	(303.4)
		This measure gives a view of the size of portfolio gains or losses relative to the opening portfolio value, giving useful additional context for the value of gains or losses.	Opening total portfolio value	1,258.5	1,507.5
			Simple return on capital (%)	-13%	-20%
% Return on NAV (%)³	Note 29 (return on NAV)	Defined as return on NAV divided by the opening Net Asset Value.	Return on NAV	(172.2)	(341.1)
			Opening Net Asset Value	1,376.1	1,738.1
	Primary statements (Net Asset Value)	This measure gives a view of the size of Return on NAV relative to the opening Net Asset Value, giving useful additional context for the value of returns.	Return on NAV (%)	-13%	-20%

1. For consistency with how we report investments as the purchase of equity and debt investments plus investment in limited and limited liability partnerships, the directors believe that this new measure showing cash proceeds is defined as the proceeds from the disposal of equity and debt investments plus distributions received from limited liability partnerships interests profit represents a useful additional measure for users of the accounts.
2. For clarity non-portfolio foreign exchange movements have been excluded from net overheads, These exchange movements are on intercompany loans and other balance sheet items including cash, and which do not represent an ongoing overhead cost for the group. Their exclusion is therefore considered to give a more accurate view of the underlying net overhead costs of the business.
3. New APMs in the period, showing % Return on Capital and % Return on NAV, which we believe provide useful additional context on the relative size of the income statement movements

30. Post balance sheet events

As of the reporting date, unrealised fair value losses in respect of the Group's quoted portfolio totalled £45.4m, largely in respect of Oxford Nanopore Technologies plc, which has seen a fair value loss of £50.2m since 31 December 2023.