ValuationConsulting

INNOVATION AGRI-TECH GROUP

VALUATION OF THE COMPANY

AS AT 21 DECEMBER 2021

RICS Regulated by RICS

RICS Registered Valuer

ValuationConsulting

The Directors
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21 December 2021

Dear Sirs

Valuation Report in respect of Innovation Agri-Tech Group

Our report is set out below. If you require any further information or clarification, please do not hesitate to contact Fernando Da Cruz Vasconcellos.

Yours faithfully,

Dr Fernando Da Cruz Vasconcellos, PhD, MRICS
Valuation Director
RICS Registered Business Valuer

For and on behalf of Valuation Consulting

ValuationConsulting

TABLE OF CONTENTS

1. INTRODUCTION AND SUMMARY

Introduction

Valuation Consulting ("VC") is dedicated to the appraisal of any financial asset that does not have a ready market valuation. VC's directors are accredited experts in the practice of valuing companies, intellectual property, and intangible assets in the UK and internationally.

This report has been prepared in accordance with our letter of engagement dated 05 December 2021. We have been asked to provide a valuation of Innovation Agri-Tech Group Ltd ("IAG" / "the Company") as at 21 December 2021, to support discussions for its next round of funding and future strategic decisions and negotiations with potential financiers/stakeholders.

This valuation is at the current date (21 December 2021) and is on the basis of market value. International Valuation Standards define market value as "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."

Summary Opinion

On the basis of the information available to us, and our own research into the market we are of the opinion that **the market value of the IAG Company, on an Enterprise Value basis, as at 21 December 2021, is approximately £75 million (rounded).**

2. INFORMATION AND CAVEATS

Information

The following information has been provided to us and forms the basis of our valuation.

- Financial Accounts, P&L, Cashflows and Financial Projections for Innovation Agri-Tech Group for the period 01 Jan 2022 to 31 Dec 2024
- Information on the current and future prospects of the Innovation Agri-Tech Group
- Innovation Agri-Tech Group Business Plan
- IAG Information Memorandum
- IAG Procurement Strategy Document, dated December 2021
- IAG GrowFrame Supporting Information and Brochure, dated December 2021
- IAG Vertical Farm at Hayley Green Farm – RICS Red Book Plant & Equipment Valuation, Marriott & Co. Report, dated September 2020
- IAG Vertical Farm at Hayley Green Farm – RICS Red Book Plant & Equipment Valuation, Marriott & Co. Draft Report, dated December 2021
- Schedule of Intangible Assets and IP to support the Innovation Agri-Tech Group business
- Aeroponics Agricultural Report, File: “Agriculture Report.pdf”
- Information about the IA/IP held by the business in relation to hydroponic/aeroponic crop production
- List of IAG assets and liabilities
- Information about the production rates achieved to date by IAG
- Market cost estimates and current food prices
- Supporting IAG information and extensive online data bank
- Assigned Term Sheet between IAG and Co-Alliance (USA)
- Meetings and email correspondence with the IAG Team, to describe the demonstration of the IAG technology and clarify the information provided; and
- Comparable Company References:
    - [1] *http://aerofarms.com/technology/*
    - [2] *https://inhabitat.com/ikea-david-chang-and-ruler-of-dubai-invest-40-million-in-aerofarms-vertical-farming/*
    - [3] *https://agfundernews.com/breaking-aerofarms-raises-34m-40m-series-d-international-investors-overseas-expansion.html*

- [4] https://www.ft.com/content/cac48190-9d8a-11e9-9c06-a4640c9feebb
- [5] https://www.telegraph.co.uk/technology/2019/06/11/supermarkets-schools-grow-vegetables-indoor-farms-backed-skype/
- [6] https://www.fastcompany.com/90485666/the-united-arab-emirates-is-100-million-in-indoor-farming-as-it-tries-to-become-more-resilient
- [7] https://www.agritecture.com/blog/2017/12/29/vertical-farming-funding-on-the-rise-in-2017-predictions-for-2022
- [8] https://agfundernews.com/brief-freight-farms-raises-7-3m-series-b-round-shipping-container-tech.html
- [9] https://www.brightfarms.com/our-mission/
- [10] https://agfundernews.com/brightfarms-funding-success-its-all-about-the-business-model.html
- [11] http://edenworks.com/
- [12] https://www.forbes.com/sites/alexandrawilson1/2017/06/01/future-of-food-how-under-30-edenworks-is-transforming-urban-agriculture/#7d580d757a13
- [13] https://agfundernews.com/80-acres-farms-raises-40m-to-complete-fully-automated- vertical-farm.html
- [14] https://agfundernews.com/square-roots-partners-with-major-us-food-service-company-gordon-in-mission-to-achieve-local-food-at-international-scale.html
- [15] https://sifted.eu/articles/vertical-farming-startups/?utm_source=siFTed&utm_campaign=ce23277dc5-EMAIL_CAMPAIGN_2020_10_19_05_02&ut%E2%80%A6
- [16] Crunchbase - https://news.crunchbase.com/news/sustainable-food-supply-chain-begins-with-startups-on-the-farm/

In addition, we have spoken to and exchanged emails with Jaspreet Singh Phagura (Founder & CEO) of Innovation Agri-Tech Group.

We have also conducted our own research into the current state of the market.

Caveats

We have not performed any work in the nature of an audit on any of the information that has been made available to us. Accordingly, we assume no responsibility and make no representations with regard to the accuracy or completeness of any information provided to us.

The valuation date is at 17 December 2021 and therefore is at a date impacted by the economic uncertainty and market disruption caused by the Covid-19 pandemic. The impact of Covid-19 on company valuations in general and this valuation in particular is currently uncertain due to multiple possible outcomes and a lack of previous modern experience of a serious global pandemic. Our assessment of the impact of Covid-19 is based on limited information.

You should note that there are usually differences between forecast and actual results because events and circumstances frequently do not occur as expected and these differences may be material.

Forecasts prepared by or on behalf of Innovation Agri-Tech Group relate to future events and are based on assumptions; consequently, they cannot be relied upon to the same extent as information derived from audited accounts for completed accounting periods. The facts and assumptions that underpin the forecasts are the sole responsibility of Innovation Agri-Tech Group. Whilst we may comment on these facts and assumptions, we accept no responsibility for them, or the ultimate accuracy and realisation of the same. You should note that there are usually differences between forecast and actual results, because events and circumstances frequently do not occur as expected and these differences may be material. In particular, we highlight that our valuation work took place during the Covid-19 pandemic, and that this may give rise to a higher amount of uncertainty than usual in setting and assessing future trading assumptions and the financial projections based thereon.

As part of our work, we have carried out market research using external database sources, including, but not limited to FactSet and IntangibleSpring. Where these external sources have been used, VC has relied on the accuracy of the sources.

This Report is strictly confidential and has been prepared solely for the use of the directors of the Innovation Agri-Tech Group for the purpose noted in Section 1 above. It may not be relied upon by any third party and (apart from your professional advisors and any regulatory body) it may not be shown to any third party without our express written consent which will not be unreasonably refused. VC accepts no duty of care to any third party for the Report.

This report does not constitute tax advice or investment advice, and nothing written in or implied by this report should be taken as tax or investment advice by the Directors of the Innovation Agri-Tech Group or by any third party.

The valuation of non-quoted companies is not an exact science and others may have a different view in this regard.

3. GROUP OVERVIEW

Innovation Agri-Tech Group (IAG) (incorporated on 18 January 2017, Company No. 10570531) is an agricultural technology (agri-tech) company which is using modern and forward-looking technologies to pioneer new solutions to address the challenges of modern-day agriculture for a more sustainable future. IAG stated that it has the potential to carve out a new market and to become a global leader in this cutting-edge field of agricultural technology. In the UK, horticulture and poor or inconsistent supply of fresh fruit, vegetables and herbs have been identified as areas within British agriculture requiring major improvements, but which are addressable using technical and innovative solutions.

To solve these problems, Innovation Agri-Tech Group proposes the use of innovative vertical indoor farms using proprietary aeroponic plant growth technology. IAG has been undertaking research and development activities on the aeroponic growth of plants, in particular herbs, as well as the optimisation of the growth conditions such as light levels & spectra, water volumes and pH, and nutrient composition for a wide variety of high demand garden herbs such as basil. IAG is currently in the process of finalising a fully functioning facility which will be able to accommodate both hydroponics and aeroponics – flexibility which they can provide the technology users through bespoke solutions.

Additionally, as part of their branding strategy IAG has indicated that it aims to raise the exposure of agri-tech within the UK. In this context, IAG has indicated that it is currently designing post graduate educational programmes which are being conducted in collaboration with academic institutions and strategic partners with the aim to educate and teach people about the next generation of farming. IAG is a member of the following associations, also further described below:

- University of Essex (leading the research on variation of lighting recipes)
- AHDB Horticulture
- National Farming Union
- Royal Agricultural of England
- Agri-Tech East
- GODAN
- Sustainable Food Trust - Global Voice for a sustainable food and health
- Horticulture member of NFU

IAG has agreements with all the above where all the technology and IP developed is completely vested in IAG. In the context of its business strategy, IAG aims to increase the accessibility of modern agricultural technologies with the sole purpose to help increase food yields and security. With population trends predicting a world of 9.8 billion people by 2050, current food production will have to increase by over 60% to meet this increased demand. This increases the requirement for new innovations in agriculture, with IAG helping alleviate some of this pressure on the sector through the pioneering use of intelligent vertical farming.

To achieve these aims and business ambitions, IAG is led by a strong and experienced management team. The Director and founder Jaspreet Singh Phagura, who has an extensive financial background, has significant knowledge and experience of both the financial and agricultural sectors and is experienced in business development and management, gained from working internationally in a number of areas such financial services, agriculture, alternative investments, and marketing. The operational director at IAG is Lovey Mandair, who has a broad base of business knowledge. Dean Barron is the procurement manager for IAG, sourcing all agri-

tech materials the company uses, and building partnerships with raw material suppliers. Effectively Dean is very well experienced and has done this for many years with various companies he has worked. Kate Brunswick is IAG's business relationship manager with a background in agriculture and a wealth of experience with fresh produce. The business has Phil Brewer, who is Vice President of Sales for Co-Alliance LLP (IAG's strategic US partner) acting as an IAG advisor, and Sumit Sharma, who is Executive Vice-President and CFO for Co-Alliance, acting as IAG's PR liaison. IAG has also recently hired Tom Harrison, and Balraj Tumber, both who have experience in the sector. IAG is further supported by leading research groups and scientists in the UK, primarily from the University of Essex.

IAG has stated that it has partnered with Co-Alliance, a major agriculture and investment partner, as they build their strategy to compete in this area. IAG has stated that it expects their partnership to significantly enhance their prospects as they will be merging and incorporating all of the Partner's expertise, logistics and distribution channels directly related to indoor vertical farming opportunities. In addition to the Co-Alliance partnership, IAG stated it has partners in the UAE and 5 major partners in the UK, all currently in advanced stages of partnership terms. IAG stated that these parties have not been able to be disclosed due to current non-disclosure agreements in place.

IAG stated that it aspires to be one of the global leaders in this field, as it scales and commercialises its operations, and we further note that its financial projections and prospects are significantly higher is comparison with the other competitors in the marketplace noted above.

IAG has stated that it is currently partnering with Co-Alliance, a major US farming entity, and acquiring associated IA/IP assets as they build their strategy to compete in this area. IAG has stated that it expects their partnership with Co-Alliance to significantly enhance their prospects as they will be merging and incorporating all of Co-Alliances' assets directly related to indoor vertical farming opportunities. IAG will work with Co-Alliance (USA) to further develop its aeroponic vertical farm technologies and distribution of products and services for the business and develop manufacturing capabilities. We understand that IAG and Co-Alliance are developing a system that may be supplied to US farms, with the full support and backing of Co-Alliances' contacts, distribution capabilities and reach. IAG has stated that this will be a significant added benefit for the company. We further note that we have reviewed the current term sheet, setting out the above, for the IAG and Co-Alliance partnership.

We were informed that Co-Alliance has issued a purchase order of US$5m (i.e., approximately £3.7m; with the 1 USD = 0.75 GBP exchange rate as at 16 Dec 2021) to IAG. In addition, Co-Alliance has stated that it will also provide C-level company support from their staff with over 120 years' combined worth of experience within agriculture companies. IAG stated it currently owns all of the required technology and IP assets to conduct its business. Co-Alliance currently has a 15% stake in IAG.

Innovation Agri-Tech Group hydroponic and aeroponic food production technology

IAG is currently developing a vertical farming network, and it plans to franchise and license its IP/technology to major clients. IAG stated that it will consult and provide the full 360 end-to-end solution for clients.

IAG has also received a Red Tractor status, and it has worked alongside the regulatory agency in developing this for the new area of vertical farming companies. The Company is the first vertical farming Company to receive this status from Red Tractor in the UK. In addition, IAG's standard operating procedures developed by the Company, also allows its clients to tailor their investments and capabilities in delivering vertical farming solutions. IAG is also being enrolled in the Global G.A.P. which additionally increases the Company's reach and status globally.

The Red Tractor and Global G.A.P. are significant and unique selling points for the IAG business opportunity.

Red Tractor ("RT") – RT is a not-for-profit company established by farmers and industry leaders in 2000, with the goal to raise awareness of and increase consumer confidence in British farming produce. Currently, the RT logo on food and drink is recognised by consumers nationwide, and it tells consumers that these products are traceable, safe and farmed with care. Today, RT continues to champion the British food business, linking farming, food production, processing and packing. The industry now faces several challenges, which include Brexit, future trade deals and how this will affect import standards, the Agricultural Transition Plan and Covid-19. As a non-for-profit company RT currently has six company guarantors: NFU, Dairy UK, Ulster Farmers' Union, AHDB, BRC and NFU Scotland. The Food and Drink Federation (FDF) also currently act as an observer.

Global G.A.P. – GLOBALG.A.P. is a farm assurance program, translating consumer requirements into Good Agricultural Practice. EurepGAP is a common standard for farm management practice created in the late 1990s by several European supermarket chains and their major suppliers. G.A.P. is an acronym for Good Agricultural Practices. It is now the world's most widely implemented farm certification scheme. Most European customers for agricultural products now demand evidence of EurepGAP certification as a prerequisite for doing business.

The main product of the Innovation Agri-Tech Group is the indoor vertical farm (the GrowFrame product/system) for producing high end cash crops such as herbs for supply to top-tier restaurants, food wholesalers and retailers and major British supermarkets. IAG has a fully functional proof of concept hydroponic/aeroponic farm. Aeroponics is a method of growing food which requires no soil and as such is pesticide free. The impact of aeroponics is enhancing plant development and health. This is because traditional farming limits the exposure to CO_2, which is solved by aeroponics as the plant roots are suspended in air and the surface area exposure to atmospheric CO_2 is maximised.

The aim of IAG is to franchise the technology and business of IAG's GrowFrame product/system, and its vertical farming IP/technology, out to growers worldwide and give growers the opportunity to be able to operate and grow produce using the latest agri-tech methods. This allows growers to be more responsive to market demands as well as avoiding climate issues or growth cycle disruptions often encountered with traditional farming methods. The overall impact of this farming method versus traditional farming is significant, with 10x yields per square foot versus traditional methods as well a reduction in water consumption of up to 95%. As part of their business model, IAG intends to franchise or licence their technology to interested growers and assist them with the installation of the technology and in-house specialists, ensuring a smooth transition for the grower to innovative IAG technologies. In this way, IAG will work with clients to create a vertical growing system specifically tailored for the client's needs and will assist the client in getting the system operational and productive. In this context, with its network of dedicated aeroponics experts and professionals, IAG intends to provide growers and agricultural companies with expert consulting and advice on transitioning to sustainable farming via aeroponic production. In its development of its innovative aeroponic technology, IAG has also made significant developments relating to LED lighting and spectral analysis of various light sources, to optimise the wavelengths of light required for optimal germination and growth of different seedling varieties.

IAG stated the IAG has the following strategic direction of the business, together with several operation developments that will assist IAG to meet its objectives:

Strategic Direction

IAG stated that "high level strategy planning has determined three main strands of intent:

1) *To develop the Bracknell facility and position as a showcase for R&D and technology sales*
2) *To sell IAG technology on a global basis*
3) *To collaborate with academic institutes to capture data and trial new technology*

Ambitious sales targets have been set with a view to exponential growth over the next three years and it is essential to install the expertise and resource structured to deliver against this plan. The search is underway to bring the talent required to make this happen."

Operational improvement

IAG stated that while "the current facility/technology delivers excellent results it is also recognised that their understanding of the growing process is evolving, and that technology is changing to deliver greater efficiencies and overall performance improvements. With this in mind and to build a showcase facility the following investments are planned for Q1 2022:

a) *False ceiling and HVAC installation*
b) *Irrigation process improvements*
c) *Panel design improvements, contingent tooling, and alternative layout to increase planting density*
d) *New more energy efficient full spectrum LED's*
e) *Acquisition of an auto seeding machine*
f) *Full farm automation solution*
g) *New germination tech/kit*
h) *Research sustainable and self-sufficient renewable energy solutions"*

Manufacturing/Procurement

IAG stated that "all elements of the process will be of bespoke design, labelled IAG and supported by IAG IP.

Over the last twelve months a strong position has been cemented with key supply partners across a range of products and services who are aligned to IAG's vision and ethos. Robust and agile supply chains are in place and ready to go once IAG has sales orders in place."

IAG stated that some of its standout achievements over the past year for 2021 include the following:

- *Accreditation of Red Tractor and Global GAP; IAG being the first and only indoor farm recipient*
- *Installation of a partition wall to improve environment control and separate the grow room from the service area*
- *Installation of prototype mark II GrowFrame and full spectrum LED (Chinese source) and independent irrigation*
- *Installation of CO2 dosing units to promote plant health and growth*
- *Acquisition and siting of office cabin for visitor reception/meetings and staff working*

- *Filming by the BBC Countryfile team for the UK Young Farmers audience.*
- *Facilitated a visit by Mr. Terry Enga of the Department of International Trade (DIT) in order to foster a relationship for international trade collaboration and grant funding opportunities*
- *Visit of Professor Tracy Lawson of the University of Essex with view to developing a strategic partnership and potential turnkey project to build out new research facilities at the university.*
- *Invitation by Lincoln University to participate in the development of the Lincolnshire Food Development Zone (FEZ)*
- *FPC - Fresh Produce Consortium attendance and networking*
- *Updating of the website/tech brochure and investor message.*
- *Launch of a key strategic partnership in the cosmetics sector - Seeds of Colour*
- *IAG welcomed Tom Harrison (Agribusiness Executive) and Raman Kaur (Technician) to the team*
- *Investor Relation meetings proposals.*
- *Launch of Seeds of Colour.*

In terms of Memberships and Associations, IAG senior management has provided the following information below:

> ***"NIAB (Nat Inst Ag Botany) Innovation HUB***
> *A membership for Innovative new SME's. IAG can gain insight into the work of NIAB and it brings innovators and incubators together - IAG can use their facilities and gain an insight into new work in the field.*
> ***Benefit for IAG**: IAG has the opportunity to network with like-minded businesses enhancing knowledge of the IAG product offering. This provides access to research, knowledge and introduced IAG to Seeds of Colour as a commercial opportunity. Grant collaborators.*
>
> ***CHAP (Crop Health and Protection)***
> *AgriTech Centre funded by Innovate UK. Four internal disciplines. CHAP lead innovators, farmers, businesses and advisors to drive research and innovation. Key to Innovate funding channels and opportunities. Very interested in VF and the data collection/plant science angle. It has a network of member partners across all sectors. Host events. IAG has been invited to write for their blog channels and have distributed our piece regarding Red Tractor to their members.*
> ***Benefit for IAG:** Introduction to Dr Aurelie Bovie as grant fund writer. CHAP has a relationship with Cranfield Uni and NIAB as do IAG - aids collaboration. Enables IAG to keep ahead of other VF companies/competitor activity.*
>
> ***UKUAT (UK Urban Agritech Collective)***
> *Bring together key players across Agri Tech in UK and abroad. The team mobilise interest, host discussions and are key at distributing opportunities to take part in global studies and comment on adoption of VF worldwide. Keen to offer opportunities and advertise requirements and profile our successes. Information , education and practices. Knowledgeable team.*

***Benefit for IAG**; Kate is a member of the Education and Outreach team within UKUAT, in order to influence and understand the current UK market skill shortage and how to work to influence adoption. Strong network and presence for IAG brand.*

AgriTechE
Agile member directory driven by Dr Belinda Clarke. Very well respected. Global Innovation HUB for AgriTech.
***Benefit for IAG** - Have great collaborators , speakers and contributors as well as blogs, musings and key information on new tech. Very supportive as a team. Dr Belinda Clarke wishes to visit the farm in 2022. AgriTechE will distribute any company blogs, updates or recruitment requirements IAG may have. Strong collaborative relationship.*

NFU - National Farmers Union.
Represent over 46000 farmers and growers in the UK. Drive to champion British Agriculture and Horticulture in all its forms. Campaign for a stable and sustainable future for all UK growers and farmers.
***Benefit for IAG** - Great communicators and information distributors for the farmers of the future. Good networking. Have instructed NFU to conduct a feasibility study on sustainability for our site at Bracknell. Have a bank of experts to call on for all up to date sustainability and environmental requirements. A strong brand.*

FPC** - **Fresh Produce Consortium
(Pending) UK's Fresh Produce trade association. 700 members. Voice of the industry for mainstream agriculture and horticulture in the UK. Encompass all aspects of UK and global supply chains for fresh produce.
***For IAG;** Kate and Dean attended their first ever 'FPC futures' event which encompassed AgriTech and VF. Superb networking opportunity and a place to understand legislative changes. FEZ and VU had a presence. Great to be seen in the same space. They host a match making forum - to link industry partners for the UK and abroad."*

Associations:

Sustainable Food Trust - Global Voice for a sustainable food and health.

Horticulture member of NFU

As stated above, the Company's vertical systems and its GrowFrame can be used to produce a wide variety of plants such as fruits, vegetables, herbs and plants for medicinal purposes. IAG owns three, U.S. patented, Vertical Aeroponic Plant-growing Enclosures with Support Structures technologies. IAG is currently seeking a strategic investment partner to fully realise the potential of its business opportunities, as further described in the sections below. IAG has forecasted its financial figures for FY2022-FY2024, as presented below and as further detailed in this Report.

4. FINANCIAL INFORMATION

Profit and Loss

The latest IAG financial forecasts figures for the period 01 January 2021 – 31 December 2021 and for the three (3) years over the period from 01 January 2021 to 31 December 2024 (i.e., calendar years 2022, 2023 and 2024) are set out below:

Innovation Agri-Tech Group				
Calendar Year as at 31 December		**2022**	**2023**	**2024**
P&L		**£'**	**£'**	**£'**
Revenue		15,696,471	41,483,529	71,755,294
Cost of Sales (-)		(7,022,000)	(16,923,000)	(28,474,000)
GROSS PROFIT / (LOSS)		**8,674,471**	**24,560,529**	**43,281,294**
General Administrative Expenses (-)		(285,600)	(306,600)	(316,600)
EBITDA		**8,388,871**	**24,253,929**	**42,964,694**
Depreciation & Amortisation (-)		(190,893)	(190,893)	(190,893)
PROFIT / (LOSS) BEFORE TAX		**8,197,978**	**24,063,036**	**42,773,801**
	Corp Tax Rate	*19%*	*25%*	*25%*
Corporation Tax		(1,557,616)	(6,015,759)	(10,693,450)
NET PROFIT / (LOSS)		**6,640,362**	**18,047,277**	**32,080,351**
Sales growth		n/m	164%	73%
Gross profit		55%	59%	60%
PBT margin		42%	44%	45%
Tax		19%	25%	25%

*Source: Innovation Agri-Tech Group (IAG); * Note: Corporation tax is in line with UK Government's Corp Tax Rates.*

IAG is currently in the process of scaling its operations, team and GrowFrame product/system and service offerings, and generating increased levels of revenues underpinned by its assets. IAG expects to increase its sales and revenues via strategic partners, as it expands both in the UK, as well as internationally (e.g., the US) with the assistance of partner's supply chain and distribution capabilities and connections, which will generate further revenues for IAG as it grows. IAG expects significant revenue generation from the franchising and licensing of its technology/IP assets and proprietary processes, proprietary standard operating procedures, together with its Red Tractor and Global Gap status, required for its bespoke vertical farms.

We have also taken into account a number of exceptional risks that may prevent IAG meeting the projections in what is an ambitious business plan, driven by the impact potential of its advanced but still early-stage technology, and further details are presented in the valuation section of this Report.

Statement of Cashflows

The cash flow statement of IAG for the period 01 January 2022 to 31 December 2024 from the company's budget and financial projections is set out below:

	FORECAST	FORECAST	FORECAST
Innovation Agri-Tech Group	**Year to**	**Year to**	**Year to**
	31-Dec-22	**31-Dec-23**	**31-Dec-24**
Cashflow Statement	**£'**	**£'**	**£'**
Net Income	6,640,362	18,047,277	32,080,351
Depreciation & Amortisation	(190,893)	(190,893)	(190,893)
Cash Flow From Operations	**6,831,255**	**18,238,170**	**32,271,244**

*Source: IAG. * Note: Corporation tax is in line with company's calculations.*

Investments

IAG has received an investment of approximately **£3.0m**, from its incorporation in January 2017 to date of this Report. IAG stated that its current planned investment of an additional **£7.0m** will be received and invested over the period 01 January 2022 to 31 December 2022, that it plans to invest in the business as it scales, as presented below.

Innovation Agri-Tech Group	**Year to**
	31-Dec-22
Investments	**£'**
Planned IAG Investments	**10,000,000**

*Source: IAG. *IAG stated that it plans to receive and invest £10m in 2021-2022 that will be used for capital expenses.*

We have been informed that, as stated above, IAG has already secured the £3.0m to upgrade its current farm in the UK. The additional investment of £7m is to be secured in 2022 and utilised over the course of this period for manufacturing and tooling purposes, and to support the sale of GrowFrames product/systems and franchising/licensing of the IAG proprietary technology, processes and data on bespoke and efficient vertical farming. IAG stated that it has already allocated £2m in 2021, as part of the overall £10m investment.

Vertical Farm at Hayley Green Farm - RICS Red Book Plant & Equipment Valuation

A valuation report for IAG's Vertical Farm at Hayley Green Farm – RICS Red Book Plant & Equipment Valuation, by Marriott & Co. Report, dated September 2020, valued the IAG GrowFrame vertical hydroponic/aeroponic farm at £1,445,000 and ancillary equipment at 2,370, for a total of £1,447,370.

A more recent valuation report for IAG's Vertical Farm at Hayley Green Farm – RICS Red Book Plant & Equipment Valuation, by Marriott & Co. Draft Report, dated December 2021, valued the IAG GrowFrame vertical hydroponic/aeroponic farm at £2,067,700, ancillary equipment at £4,470, and injection moulding tooling held offsite at 1,112,500, for a total of £3,184,670.

IAG stated that this farm will be used to produce leafy greens, collecting proprietary data, for vertical farming trials, as well as showcase their technology to future partners.

IAG's proprietary data is an essential intangible asset for the Company. This proprietary data, together with its patented technology and proprietary processes, allows IAG and future partners and franchisees scale their operations efficiently, and it has significant importance to clients, partners and investors as it supports the value of IAG's assets and the Company. IAG stated that it is also further securing its Brand assets via strategic advisers and partners, and it prepares to roll out its franchising model. IAG has engaged with Stobbs in developing their intangible asset management and securing their IAG brand as they prepare to scale. Stobbs is a premier provider and a full-service firm based in the UK. Stobbs advises in a strategic and holistic way, and it has won several Managing Intellectual Property's award for UK Trade Mark Firm of the year for the past few years.

Financial Projections

UK Produce Farm Financial Model

- We have been informed that IAG currently has completed 60% capacity of its UK farm (i.e., up from a 40% capacity in September 2020). IAG is currently using its capacity to produce leafy greens and herbs, collecting proprietary data, and testing them with key clients/partners in the UK. As stated above, IAG's current UK farm will be used as a production and testing facility, and data collection point, as well as an exhibition farm for future clients/partners. IAG stated that it is currently in negotiations with several key UK clients (IAG noted that the undisclosed partners/clients are due to current non-disclosure agreements in place). We have been informed that 2 of these clients have successfully completed product shelf-life testing. Additionally, we have been informed that all clients/partners have expressed interest purchasing/licensing/franchising IAG's UK GrowFrames' proprietary technology and data in the first instance with testing, followed by an interest to acquire GrowFrames and licensing the technology individually to grow their respective businesses (e.g., see the GrowFrames and Technology Licensing Model below, for the latter).

- IAG is currently seeking the investment required to complete the remaining 40% of its UK farm capacity to 100% and scale its research and development operations, and data acquisition for its proprietary processes and know-how.. IAG stated that this increase in farm capacity is planned to be completed in 10 months from this Report, by the end of September 2022. The investment required to increase the capacity to 100% was estimated to be in the region of £2.0m-£2.5m. IAG stated that the completion of the UK farm, will not be required for IAG to franchise its proprietary technology and brand assets, as it will assist the Company in further developments and innovation.

- Details of the IAG Vertical Farm / GrowFrame Revenue Model are presented in the Appendix, and where the 2022 sales revenues (including cash sales, installation & commissioning fees (15% GM earning on cost), royalties at 8% of sales, maintenance/service contracts at 2% of sales) are estimated to be approximately £15.7m, and Grant Funding of £75k. IAG has stated that it expects an annual increase revenues of 164% (reaching c. £41m) in 2023 and 73% (reaching c. £72m) in 2024. Further details of IAG's financial model from FY2022 to FY2024, is presented in the Appendix of this Report.

Vertical Farming IP, Technology, Processes, Brand and Proprietary Data Licensing Financial Model

- We have been informed that IAG currently has a US$5m purchase order from Co-Alliance for its GrowFrames.

- IAG will be using this purchase order of US$5m to build a vertical farm in the US. This farm will be utilised by IAG and Co-Alliance as an exhibition farm and showroom of the IAG technology. IAG stated that the construction of this farm started in 2021 and that it will be completed in 2022/2023, as further investments are raised. Co-Alliance has access to over 20,000 farms who they support, many who may become clients. Co-Alliance may fund farmers and provide a finance facility to make access easier for them.

- IAG stated that from the £10m investment, £2.5m will be invested in the current completion of the Bracknell vertical farm, and £7.5m will be invested towards supporting the GrowFrame product/system licensing and generating revenues, and acquiring the tooling required to complete and sell the GrowFrames and IAG's IP, including its technology, and brands, as well as its and proprietary data on vertical farming. IAG stated that its proprietary data on vertical farming allows its clients to have the ability to plan and estimate the yields and returns on investment from the technology and the IP/data collected and monitored by IAG.

- Further details are presented in IAG's GrowFrames brochure.

- IAG is projecting the following number of GrowFrame products/systems sold per year as presented in the table below:

IAG GrowFrame Systems Sales Estimates	2021	2022	2023	2024	Total
Estimated Number of GrowFrame Systems to be Sold per Year	0	140	370	640	**1150**
Estimated Number of GrowFrame Systems to be Sold per Month	*0*	*12*	*31*	*53*	
Estimated Sale Price per GrowFrame System (£'000)	*100*	*100*	*100*	*100*	
Estimated Yearly Sales Revenues for GrowFrameSystems (£'000)	-	14,000	37,000	64,000	**115,000**

*Source: IAG * Note: Years stated above are Calendar Years instead of Financial Years (FY).*

- As presented in the table above, IAG is projecting to sell 1150 of the GrowFrames over the next 36 months, with a unit (sell/license) price of £100k per GrowFrame, resulting in an expected sale of £115m over the same period.

- IAG stated it is focussing on several key partners worldwide to commercialise its technology, including one partner in the US (Co-Alliance), one in the UAE (who we have been informed is interested in 3 farms over a 2–3 year period starting in Q1 2021), and several other major partners in the UK, all seeking to license the GrowFrame and IAG IP assets in the short term. IAG stated that it has been able to attract the interest of all parties due to its farm technology, proprietary data, and as it has focussed on delivering a vertical farm with a 3-5-year time frame on return on investment for technology buyers and vertical farming network. IAG stated it has concentrated its efforts to automate the vertical farm as much as possible, and in generating and collecting essential data for optimum yields, while at the same time using the least amount of robotics to keep its vertical farm costs competitive in comparison to competitors such as Bright Farm and Aero Farm, which IAG indicated has farms of the order of £20m-£30m.

- IAG stated it is confident with the current negotiations with its main partners that it will be able to deliver the projected number of GrowFrames until the end of 2024.

- IAG stated that current proposals being discussed with potential clients and partners are for an order of 20-30 frames / client.

- Additionally, IAG has created a full outsourcing network, for its steel, GrowFrame mould production, and lighting, to deliver its products and services via the support of its procurement manager. The supply chain and sales network has also been outsourced by IAG, as it seeks to streamline its business, and as it focuses on its technology and IP assets in delivering value to the business and its clients and partners.

- In addition, IAG expects it will license is proprietary and patent protected technology, together with its brand and proprietary data, to its partners to operate the vertical farms and GrowFrame systems.

5. RESEARCH

We set out the potential valuation methods in Section 6 to this report and our valuation calculations and conclusions in Section 7. We have used publicly available information for benchmarking purposes to enable us to determine suitable multiples and to guide our determination of an appropriate discount rate, set out below.

Comparable Quoted Companies

We have undertaken a search on the FactSet database with regard to the ratings of quoted companies that have similarities with IAG. None of these companies is definitively comparable, however collectively they can be used to provide a benchmark for valuation purposes. The table below sets out a summary of the key ratios:

Company Name	Country	Last Year End	Reported Turnover £'m	Reported EBITDA £'m	EV £'m	Net Debt £'m	Market Cap £'m	Reported P/E	Year 1 P/E	Year 2 P/E	Reported EV/EBITDA	Year 1 EV/EBITDA	Year 2 EV/EBITDA	Beta	Business Description
Ag Growth International Inc.	Canada	31-Dec-2020	581.5	33.9	850.2	482.5	367.8	n/p	13.1	10.3	25.1	8.4	7.4	1.84	Ag Growth International, Inc. engages in the manufacture of agricultural equipment. Its product portfolio include portable and permanent handling, storage, conditioning, structures, processing, and technology.
AGCO Corporation	United States	31-Dec-2020	7,135.1	705.8	7,816.5	888.3	6,928.1	21.0	13.7	11.8	11.1	8.6	7.6	0.98	AGCO Corp. engages in the manufacture and distribution of agricultural equipment and related replacement parts. The firm's products include tractors, combines, self-propelled sprayers, hay tools, forage equipment, seeding and tillage equipment, implements, and grain storage and protein production systems. Its brands include Challenger, Fendt, GSI, Massey Ferguson, Valtra, and Fella.
Asia Technology Co., Ltd	South Korea	30-Jun-2021	69.7	4.8	36.9	(3.8)	40.7	12.3	n/p	n/p	n/p	n/p	n/p	0.99	Asia Technology Co., Ltd. engages in the manufacture and sale of agricultural machineries. Its products include cultivator, riding-type cultivator, speed sprayer, baler, rice transplanter, and power sprayer. T
Escorts Limited	India	31-Mar-2021	716.5	110.4	1,815.4	(237.5)	2,052.9	16.0	18.9	17.1	16.4	16.8	15.3	1.54	Escorts Ltd. manufactures and supplies agricultural machinery, auto suspension and ancillary products and railway equipment. The Agri Machinery Products segment manufactures tractors, lubricants, engine and gensets; and provides crop solutions.
Future Farm Technologies Inc	Canada	28-Feb-2019	2.1	(7.4)	2.0	2.0	0.0	n/p	n/p	n/p	n/p	n/p	n/p	1.81	Future Farm Technologies, Inc. engages in the development of agriculture through indoor plant growth technology and through the production of wholesale and retail cannabis products, including hemp.
GreenGro Technologies, Inc.	United States	31-Dec-2020	0.0	(0.2)	5.7	3.9	1.8	n/p	n/p	n/p	n/p	n/p	n/p	1.70	GreenGro Technologies, Inc. engages in the sale of greenhouse systems, as well as hydroponic supplies through its retail store in Anaheim, California. Its products include commercial vertical grow technologies, extraction labs, solar systems, greenhouses, and gro rooms.
Iseki & Co., Ltd.	Japan	31-Dec-2020	1,090.5	66.3	729.7	478.0	251.7	n/p	n/p	n/p	n/p	n/p	n/p	1.41	Iseki & Co., Ltd. engages in the manufacture and sale of agricultural machinery related to rice cultivation and vegetable production. Its products include tractors, mowers, tillers, rice transplanters, and combine harvesters. The company was founded by Kunisaburo Iseki in August 1926 and is headquartered in Tokyo, Japan.
Kubota Corporation	Japan	31-Dec-2020	13,535.6	1,797.4	23,624.6	5,301.9	18,322.7	19.6	14.8	14.0	13.1	10.9	10.4	1.16	Kubota Corp. engages in the manufacture and sale of agricultural and construction machinery equipment. The Machinery segment includes agricultural and construction machinery, engines, and agricultural products.
Titan Machinery Inc.	United States	31-Jan-2021	1,097.2	61.3	853.5	312.1	541.4	35.8	14.9	13.1	13.9	12.9	11.2	1.71	Titan Machinery, Inc. engages in the management of agricultural and construction equipment stores. The Agriculture segment sells services and rents machinery and related parts and attachments, for uses from large-scale farming to home and garden use in North America.
Turk Traktor ve Ziraat Makineleri A.S.	Turkey	31-Dec-2020	692.7	117.6	667.6	1.8	665.9	7.7	7.8	6.7	5.7	5.6	5.1	1.23	Türk Traktör ve Ziraat Makineleri AS engages in the manufacture, distribution, and export of agricultural machinery and equipment under the brands New Holland, Case IH, and Steyr. Its products include tractors, harvesters, balers, headers, sprayers, grain driers, conditioners, harrows, and tillers.
						AVERAGE		**18.7**	**13.9**	**12.1**	**14.2**	**10.5**	**9.5**	**1.44**	
						MEDIAN		**17.8**	**14.2**	**12.4**	**13.5**	**9.7**	**9.0**	**1.47**	

Source: FactSet : n/p means not provided

In arriving at our valuation for IAG we have used the average Beta of **1.44**, and the average Year 1 and Year 2 EV/EBITDA multiples of **10.5** and **9.5**, respectively, of the above basket of companies.

Comparable Transactions

We have searched the FactSet database for transactions since January 2019 involving companies in the same field as IAG which may have aspects of similarity. None of these deals is definitive, but they could be used collectively to provide benchmarks for valuation purposes. The transactions are summarised below:

Announcement Date	Target	Target Country	Target Business Description	Acquirer	Transaction Value £'m	P/E	EV/EBITDA	EV/EBIT	EV/Revenue
29-Apr-21	3F Feed & Food SL	Spain	3F Feed & Food SL is located in Spain and provides wholesales machinery, equipment and agricultural products.	Eastman Chemical Co.	50.34	n/p	n/p	n/p	n/p
23-Apr-21	Bayle Industries SASU	France	Bayle Industries SASU manufactures agricultural and forestry machinery.	Sofilab 5 SAS	n/p	n/p	n/p	n/p	n/p
23-Apr-21	CK Industries SAS	France	CK Industries SAS is located in France and manufactures agricultural and forestry machinery.	Sofilab 5 SAS	n/p	n/p	n/p	n/p	n/p
18-Feb-21	IRON-TECH Kereskedelmi, Szolgáltató és Gyártó Zrt.	Hungary	Founded in 1999, IRON-TECH Kereskedelmi Szolgáltató és Gyártó Zrt is located in Szigetvar, Baranya county, Hungary and manufactures metalworking machinery. It has around 250 employees.	Luma Holding Ltd; Luma Automation SA	n/p	n/p	n/p	n/p	n/p
22-Jun-21	Isojoen Konehalli Oy	Finland	Founded in 1956 by Antti and Raili Alakortes, Isojoen Konehalli Oy is located in Kauhajoki, Finland and provides personal protective equipment, tools, spare parts, and accessories to wholesalers and distributors.	Grafton Group Plc	170.73	n/p	n/p	n/p	1.26
19-Mar-21	Kynetec UK Ltd.	United Kingdom	Founded in 2002, Kynetec UK Ltd is located in Newbury, Berkshire, United Kingdom and provides researching and consulting business specializing in agriculture, horticulture, animal health, and the food chain.	Paine Schwartz Partners LLC	n/p	n/p	n/p	n/p	n/p
22-Dec-20	Landtechnik Vertrieb Windsbach GmbH	Germany	Landtechnik Vertrieb Windsbach GmbH is located in Windsbach, Bayern, Germany and wholesales agricultural machinery and equipment.	Zürn GmbH	n/p	n/p	n/p	n/p	n/p
22-Jan-21	LVA Schleswig-Holstein GmbH	Germany	LVA Schleswig-Holstein GmbH is located in Germany and manufactures and sells machine for the agricultural industry.	REBO Schleswig-Holstein GmbH	n/p	n/p	n/p	n/p	n/p
29-Apr-21	Matrix Group BV	Netherlands	Matrix Group BV is located in Deventer, Overijssel, the Netherlands and manufactures and supplies agricultural machines.	StruSoft AB	n/p	n/p	n/p	n/p	n/p
17-May-21	MittX Aluminiumproffset AB	Sweden	Founded in 1995, MittX Aluminiumproffset AB is located in Färila, Sweden and produces designed and model-adapted aluminum frames for construction machinery and agricultural machinery.	Stockwik Förvaltning AB	2.54	n/p	4.98	n/p	1.07
07-Jul-21	Murley Agricultural Supplies Ltd.	United Kingdom	Murley Agricultural Supplies Ltd is located in Warwick, Warwickshire, United Kingdom and distributes motor vehicles, new and used tractors and telehandlers, grassland and ground care equipment.	T. H. White Holdings Ltd.	n/p	n/p	n/p	n/p	n/p
02-Dec-20	Stücker Landtechnik GmbH	Germany	Stücker Landtechnik GmbH is located in Rietberg, Nordrhein-Westfalen, Germany and wholesales agricultural and construction machinery equipment.	Agrar-Markt DEPPE GmbH	n/p	n/p	n/p	n/p	n/p
22-Dec-20	Zürn-Heber-Kröll Landtechnik GmbH & Co. KG	Germany	Zürn-Heber-Kröll Landtechnik GmbH & Co KG is located in Kanzach, Baden Wuerttemberg, Germany and supplies agricultural machinery and equipment.	Zürn GmbH	n/p	n/p	n/p	n/p	n/p

Source: FactSet *n/p means not provided*

Information regarding deals identified where some information has been disclosed is summarised above, however there is not sufficient data to calculate meaningful multiples for any of the cases identified. This is a common issue, especially where transactions are between private companies who have limited requirements to publish such detail.

Market Overview

We understand IAG is part of the biotechnology industry (specifically the agricultural and environmental technologies sector which comprises c.15% of the revenues of the total industry in 2021). IBIS World says of the biotechnology industry that:

The biotechnology industry is expected to continue to grow at a faster rate over the five years to 2026, with the Asia-Pacific region, particularly China, South Korea, Taiwan and Singapore, investing significant amounts of capital to gain a strong foothold in the industry. Larger players emerging as profitable entities are expected to continue pursuing low-risk strategies of success, such as buying out smaller operators to collect successful research for commercial-ready technologies and partnering with academic institutions to support steady intellectual property expansion. Accordingly, industry revenue is forecast to grow from $298.7bn in 2021 at an annualized 3.1% to $347.3 billion in 2026 as global research and development and total health expenditure are forecast to continue strong growth.

Source: IBIS World Global Industry Report L6724-GL, Global Biotechnology May, 2021

Global Vertical Farming

Additionally, and with specific focus on the vertical farming market, Yahoo Finance says:

The global vertical farming market was valued at US$5.50 billion in 2020 and is projected to reach US$19.86 billion in 2026, following a CAGR of 24.3% during 2021-2026.

The market growth is highly impacted by the shift of population from rural to urban areas, and the declining size of arable land, among others. Apart from this, the market is also driven by factors such as its advantages over conventional farming, advancements in light-emitting diode (LED) technology, and high quality and high level of food safety assurance.

According to a recent report entitled “Vertical Farming Market, 2021-2028” published by Fortune Business Insights, the Vertical Farming Market, currently valued at US$3.0 billion is expected to reach a value of US$17.59 billion by 2028. The increased number of mergers and acquisitions in the Vertical Farming Market has supported this growth prospect.

Despite discrepancies between the reports above, they both clearly show that the market IAG operates is one of high growth and opportunity.

Companies in the Vertical Farming Market

The market sector where Innovation Agri-Tech Group operates includes competitors such as:

- AeroFarms (US)
- InFarm (Germany)
- BrightFarms (US)
- Plenty (US)
- Freight Farms (US)
- Edenworks (US)
- Kalera (US)
- Bright Agrotech (US) acquired by Plenty (US)
- 80 Acre Farms (US)
- Square Roots (US)
- Illumitex Inc. (US)
- 4D Bios, Inc. (US)
- Thrive Agritech (US)
- Bowery Farmi (US)
- Green Spirit Farms (US)
- Green Sense Farms LLC (US)
- ZipGrow (Canada)
- Valoya Ltd. (Finland)
- Heliospectra AB (Sweden)
- Everlight Electronics (Taiwan)
- Signify (The Netherlands)
- Osram (Germany)
- Sky Greens (Singapore)

UK based

- Jones Foods Company (JFC) project founded by Ocado

- Spread Co., Ltd. (UK)
- IGS (UK)
- Harvest London (UK)

Additional Background on Vertical Farming Market Companies

Founded in 2004, AeroFarms is an indoor agriculture group that uses aeroponics, LED lights, and growth algorithms. Its patented aeroponics growing system is a closed-loop system that does not use natural light or soil.[1] The company claims the system uses 95% less water than field farming and 40% less water than hydroponics. AeroFarms closed a US$40 million Series D round in October 2017 with participation from IKEA Group, ruler of Dubai — Sheikh Mohammed bin Rashid[2], David Chang of the Momofuku Group, and retired U.S. Army General David Petraeus, bringing its total funding to over US$130 million. In 2019, the company had just completed its ninth indoor farm in New Jersey and plans add to its 120-strong team of plant biologists, pathologists, microbiologists, mechanical engineers, system engineers, and data scientists[3]. According the Financial Times, the company recently raised an additional US$100 million to further expand its warehouses of stacked growing trays and branch out into different produce.[4] This latest fundraising round will value AeroFarms at US$ 500 million post-funding. [4]

Founded in 2013, the Berlin based company InFarm, in 2019, also closed a US$ 100 million round led by Skype founder Niklas Zennström's London capital firm investment firm Atomico. According the The Telegraph, Infarm has partnered with more than 25 food retailers to launch over 200 in-store farms which can grow herbs and vegetables.[5] According to recent reports, Infarm secured an investment of US$170m in 2020.

According to a report by Fast Company published in April 2020, Abu Dhabi is investing US$ 100 million in indoor farming as it tries to become more resilient in the current times. The report states that "in a new investment announced today, the Abu Dhabi Investment Office, a central government hub supporting businesses, is putting US$100 million into four 23gritech companies, including Madar Farms, the start-up building the indoor tomato farm; Aerofarms, a New Jersey-based vertical farming company that will build a massive new R&D centre; RDI, a start-up developing a new irrigation system that makes it possible to grow plants in sandy soil; and RNZ, a start-up that develops fertilizers that make it possible to grow more food with fewer resources." [6]

Bright Agrotech is an agri-tech indoor hardware company that focuses on building indoor systems for small farmers, has been recently acquired by Plenty, a Californian based large scale vertical farming business. In July 2017, Plenty raised in their Series B US$ 200 million, led by the investors, including Japanese billionaire Masayoshi Son with SoftBank Vision Fund and investment funds for Alphabet's Eric Schmidt and Amazon's Jeff Bezos.[7]

Launched in 2010, Freight Farms provides physical and digital solutions for creating local produce ecosystems. The company's flagship product, The Leafy Green Machine™, is a complete hydroponic growing system capable of producing a variety of lettuces, herbs, and hearty greens. Assembled inside an up cycled-shipping container, the prebuilt system includes all necessary components for commercial food production and enables anyone to grow fresh produce year-round. Leafy Green Machines can be monitored in real time from any location, and users can purchase supplies directly from their mobile devices. Freight Farms completed a US$7.3 million Series B round in June 2017 with participation from Spark Capita.[8]

BrightFarms, incorporated in 2011, designs, finances, build, and operate hydroponic greenhouses at, or near, grocery retailers – cutting time, distance, and cost from the produce supply chain. The company claims its system uses 80% less water, 90% less land, and 95% less shipping fuel than long-distance field-grown produce[9]. The company has three farms located in Illinois, Virginia, and Pennsylvania and is in the process of opening a new location in Ohio. In September 2016, BrightFarms announced it had raised US$30 million in Series C funding with participation from Catalyst Ventures.[10]

Edenworks, founded in 2013, is creating a scalable local food supply. It operates aquaponic ecosystems that it claims use 95% less water than conventional farms, no pesticides, and no genetically modified organisms.[11] The Brooklyn-based company services the local Whole Foods with two varietals of microgreens. As of June 2017, Edenworks had raised US$2.5 million in funding with plans to move to a larger facility and roll out additional product lines.[12]

80 Acre Farms, has recently raised USD $40m to Complete 'First Fully Automated Vertical Farm'. This investment was raised via private equity funding from Virgo Investment Group, a PE firm from San Francisco[13].

Square Roots, was recently founded by Elon Musk's brother, Kimbal Musk. The first season was so successful that the company raised a USD $5 million seed round in August 2017 to help ramp up for a second offering[14]. Square Roots have also partnered with US food service company Gordon Food Service.

Vertical farming is expected to deliver real results for investors[15]. According to a report by Crunchbase[16], dated 28 October 2020, 'in the past five years, startups have increasingly turned their attention to the farm, and investors are following their lead. So far in 2020, venture investors have sunk US$4.1 billion into 413 agriculture technology deals, on pace for a record-setting year, with startups working on everything from carbon-removing crackers to digitized grain silos.' In November 2021 COP26 provided additional focus for the environmental benefits of vertical farming and IGS erected an exhibition in Glasgow during the conference to raise awareness. They also then announced the conclusion of their Series B fundraise of £42.2 million. That investment round was supported by a conglomerate of new investors including COFRA AG (Zug), Cleveland Avenue LLC (Chicago) and DC Thomson (Dundee). The new investors were joined by existing institutional investors Ospraie Ag Science (New York City), S2G Ventures (Chicago), venture capital firm AgFunder (San Francisco); and Scottish Enterprise in the Series B investment round, with private shareholders and IGS staff also contributing.

According to a recent report by Forbes, entitled "Farm Tech Investing Is Accelerating Faster that Food Tech and General VC" there has been a significant increase in investments across the agri-tech industry. Farm tech investing reached US$7.9 billion in 2020, where most of the investment was generally led by two sectors, including agritech biotechnology and novel farming systems, mostly indoor farming. The deal activity in Novel Farming Systems grew by rate of 47%, in comparison to the previous year. According to the Report and an interview with Infarm's CEO Erez Galonza, the current global situation due to COVID-19 has favour the Farm Tech industry particularly due to the weakness of the current food supply chain.

6. VALUATION METHODOLOGY

We are to value the Innovation Agri-Tech Group Company. There are various approaches which can be adopted to value the Company in these circumstances, depending on the information available:

Income approach

The underlying premise of an income-based methodology is that the value of an asset can be measured by the present value of the net economic benefit to be received over the life of that asset. This can be done either by using a Discounted Cashflow Methodology ("DCF") or by applying a multiple derived from the market to a maintainable profit figure.

A DCF approach takes the value of the forecast cashflows of a business on a 100% control basis and brings this back to a present value at the valuation date via the application of a discount rate. DCF methodologies are frequently used to capture the value of businesses that are in an early stage of their development or are experiencing abnormal growth.

For a profitable business, the value can usually be measured satisfactorily by the application of an appropriate multiple to a profit figure. Multiples can be derived from the market in several ways. A valuer may look at:

- Similar quoted assets in the market place;
- Industry 'rules of thumb';
- Comparable transactions in the market, involving similar assets and taking place around the valuation date.

There are several multiple-based approaches which can be used.

- Price/Earnings ("P/E") ratios directly value the equity of a business by capitalising the maintainable post-tax earnings of that business. These are easily obtainable from the ratings of quoted companies and transactions.
- EBIT (Earnings before Interest and Tax) or EBITDA (Earnings before Interest, Tax, Depreciation and Amortisation) multiples capitalise the profits of a business without taking into account the funding of a business to arrive at an Enterprise Value. The Net Debt of the business is then deducted from the Enterprise Value to give a valuation for the equity of the business.

Multiples derived from market benchmarks typically require adjustment to take account of the relative size/diversity/growth prospects of the subject business compared to its market benchmarks, as well as to reflect the value of control.

Multiples derived from transactions usually contain a control premium if the transaction involves a controlling stake in the company. However, control is often offset by the illiquidity of controlling shareholdings, such that some companies do not achieve a premium on acquisition. Transaction multiples are also typically available on a Reported basis only, calculated on the basis of the last published accounts of the target company.

Multiples derived from the ratings of quoted companies are based on trades involving small uninfluential minority stakes – typically under 1% of the company. Quoted company multiples are available on a Reported basis and also on a Current basis (reflecting analysts' expectations for the outturn of the company's current financial year) and a Forecast basis (reflecting analysts' expectations for the outturn of future reporting years).

When considering a minority holding in a business, a minority discount is often considered appropriate – conversely a valuation for a 100% or controlling shareholding in a business would attract a control premium, adjusted, if appropriate, for marketability, size, diversity and illiquidity.

Market approach

The market approach considers how the market views the business or asset concerned. As set out above, multiples derived from market benchmarks can be used in an income approach, and the income and market approaches are often intertwined.

If there have been recent transactions in the subject business or asset, then this can provide a good indication of the value which the marketplaces on that business.

Our Approach

In this instance, financial projections are available for the Company beyond the current financial year, so we have adopted a Future Income Discounted Cash Flow (DCF) approach as our primary valuation methodology for IAG. The net cash flow income that we have considered are based on the forecast cashflows that IAG will receive from its (i) manufacturing operations and (ii) licensing its technology/IP assets to its partners and clients, which we have used for our valuation calculations.

7. VALUATION

Discounted Cash Flow (DCF)

We regard a future income discounted cash flow (DCF) method appropriate to determine the Enterprise Value of the Company, which is based on making a quantitative estimate of the current value of future cash that can be attributed to the Company, taking proper account of risk and cost of capital.

We have estimated the future cash flows from the cashflows provided by the Company. We note that the Company projects capital expenditure that will be financed with the investments it is currently seeking, with IAG's current business model.

Discount Rate

We have adopted a discount rate that we have derived from our research into the market and adjusted for points of differences between that research (based on quoted companies) and a discount rate appropriate to IAG. As a prudent approach we have utilised a cost of equity only.

Cost of Equity

This is calculated using the Capital Asset Pricing Model ("CAPM"), which can be simply stated as follows:

Ke = Rf + ß (Re) + Rr

Where

Ke	=	The cost of equity
Rf	=	The risk-free rate of return from the market
ß	=	The Beta
Re	=	The excess return to equity from the market over the risk-free rate
Rr	=	The additional premium for small company risk

Each of these parameters can be quantified as follows:

- **The Risk-Free Rate of Return**: The best available approximation to this is the average yield on 20-year Government Bonds (UK Government Gilts) that stands on 17 November 2021 at **0.98%** (Source: FT.com).

- **The Beta:** The Beta is a measure of the stocks' sensitivity to market movements. The best method of obtaining the Beta is to use the Beta for companies in a similar field. We have taken the Beta as derived above, which is **1.44** (Source: FactSet).

- **The Equity premium:** Traditionally this has been considered to be in the range of 6% to 8% (source: Ibbotson, Duff & Phelps). Based on available data at the end of December 2020, we have used **7.25%** (Source: Duff & Phelps Cost of Capital Navigator).

- **The additional premium for small size company risk:** This reflects the additional risk attaching to a small company, due to its size and smaller range of products and services. Based on the latest available data, we have used **11.29%** (Source: Duff & Phelps Cost of Capital Navigator).

- **Specific risk premium –** This reflects attributes specific to the business and product line, such as forecast risk and nature of the IAG offering and the company's assets.

IAG has incorporated several operational risks in arriving at its financial forecasts, in the form of success factors and various timings for objectives and revenues to be achieved, which we reviewed and took into account in determining the overall risk profile for IAG for the valuation. However, we consider the discount rate of 22.7% (rounded) excluding the specific risk premium produced by the CAPM calculations to be lower than that applicable to the cash flows projected for IAG, for the following reasons:

- IAG has been working to grow the business to ensure that its focus in on achieving its growth and financial objectives. IAG is projecting significant growth, and as the company is currently pre-revenue and not profitable, under the current volatile and uncertain market conditions due to COVID-19, we have allowed for a risk premium to reflect this.

- Securing sufficient investment funding – The company is currently securing investment funding to support its commercialisation efforts. IAG has limited access to capital markets, however it stated it has received considerable interest from potential investors.

As a result, and in our judgement, the discount rate of 22.7% needs to be uplifted for the factors noted above, by an appropriate uplift (specific risk premium) of 17.3% to give a discount rate of **40.0%** for the valuation.

Calculation of the Cost of Equity: Given the assumptions above, the cost of equity (Ke) can be calculated as shown in the following table:

From CAPM	Ke = Risk free rate + (Equity beta * Equity risk premium) + Small size risk premium	
Risk free rate	0.98%	20 year treasury gilts - FT, as at 17 Dec 2021
Equity beta	1.44	Average beta per quoted comparable companies - Section 5
Equity risk premium	7.25%	Duff & Phelps Cost of Capital Navigator
Small size risk premium	11.29%	Duff & Phelps Cost of Capital Navigator
Ke	22.7%	
Specific risk premium	17.3%	
Calculated cost of equity	**40.0%**	

It is our view that a discount rate of **40.0%** is appropriate for the current circumstances of IAG and its current prospects.

Terminal Value

Our discounted cash flow (DCF) calculation takes into account projections provided by the Company up to 31 December 2024, followed by a tapered growth estimated by VC for the years 2025 to 2028, with forecast cashflows growth rates of 30%, 15%, 7.5%, and 2.5%, for 2025, 2026, 2027 and 2028, respectively. We have assumed the Growth to Perpetuity of **2.0%**, in line with long-term expected growth, and which we have used as an appropriate estimate for the current valuation.

Additional assumptions

We have used the following additional assumptions in our valuation:

- We assume the budget to be prepared on a cash basis.
- We have assumed the current UK corporation tax at the current rate of 19%, increasing to 25% by FY2023.
- We have assumed that IAG successfully raises the investments required, totalling £10m in order to scale and meet its objectives, for the current valuation.
    - We note that if IAG is not able to raise the required funding, the financial projections in its current business plan may not be achievable, which will have an impact on the overall Company valuation.

- Discount rates based upon CAPM above as adjusted to be appropriate to the current stage of IAG's business and receipt of funds.
- IAG has provided the following milestones that it has achieved over the last 12 months, driving the business forward:
    - IAG has completed 60% of its vertical farm, up from 40% one year ago.
    - IAG has updated its business model to include franchising and licensing of its vertical farming technology, IP and data
    - Investments raised to date of over £3m.
    - IAG has achieved Red Tractor and Global Gap status, unique selling points for the company.

8. VALUATION CALCULATIONS AND OPINION

DCF

The table below contains the net present value (NPV) calculation for IAG, based on the projected IAG future cashflows.

The cash flows are based on the income from FY2022 to FY2024. We have also assumed that a required investment of £10m is received by IAG.

We note that our DCF calculation accounts for a contribution for only the remaining period for 2021 of half a month, half of December 2021 (i.e., part year for 2021 = 0.04), followed by full calendar periods for 2022, 2023 and 2024.

IAG has stated that its initial capital expenditure will be £8.0m in FY2022 (where £2m has already been allocated in 2021, as part of the total investments of £10m), which we have assumed for the valuation.

As stated previously, we have been informed that IAG is seeking to secure the full investments required (i.e., a total of £10m, where £2m have already been raised and allocated in the current year 2021, with the remaining £8m of investments needed to be utilised over the course of 2022) for manufacturing and tooling purposes, and to support the sale of its IAG GrowFrame systems, as well as franchising and licensing of the IAG proprietary technology and processes.

In determining the future PV months for our NPV calculations, we have based these on the mid-year convention for first 1 year (i.e., 0.5/2 = 0.25; for 2021), and second 2 year (i.e., 0.25*2+6 = 6.5), followed by the third year (i.e., 6.5+12=18.5) and so on.

We have also assumed a growth to perpetuity rate of 2.0% for the Company to account for its value beyond the projected period of three years.

We set out the DCF calculation for the IAG Enterprise Value in the table below:

Innovation Agri-Tech Group		Valuation as at Dec 2021							
Discount Rate	40.0%								
Growth to Perpetuity	2.0%		IAG Forecast			*VC estimates*			
Cashflow growth				167.0%	76.9%	*30.0%*	*15.0%*	*7.5%*	*2.5%*
Calendar Year as at 31 December		**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**
		£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Forecast Cashflows		-	6,831	18,238	32,271	41,953	48,246	51,864	53,161
Initial capital expenditure		(2,000)	(8,000)						
Part Year		0.04	1.0	1.0	1.0	1.0	1.0	1.0	1.0
PV months		0.25	6.5	18.5	30.5	42.5	54.5	66.5	78.5
PV Years		0.02	0.5	1.5	2.5	3.5	4.5	5.5	6.5
PV Factor		0.993	0.833	0.595	0.425	0.304	0.217	0.155	0.111
PV Cashflows		(83)	(2,307)	10,857	13,722	12,742	10,466	8,037	5,884
Sum of Post Tax Cashflows		**59,317**							

Perpetuity calculation

Cash flow terminal year	53,161
+growth (1+g)	54,224
Cap rate (r-g)	38.0%
Terminal year value	142,694
Discount period (months)	78.5
Discount period (years)	6.5
Present value factor	0.111
Present Value of terminal year cash flow	**15,794**
Sum of NPV Post Tax Cashflows	**75,110**

By adding the sum of NPV post-tax cashflows to the perpetuity present value of terminal year cash flow, we arrive at an Enterprise Value (EV) for the IAG Company of approximately **£75 million** (rounded).

Valuation Conclusion

On the basis of the information available to us, and our own research into the market we are of the opinion that **the market value as 21 December 2021 of the IAG Company is approximately £75 million (rounded) on an Enterprise Value basis.**

We emphasise that this valuation is currently derived from potential future revenues, and it includes a number of high-level assumptions. We have assumed that IAG successfully raises £10m in 2021-2022, as presented in IAG's financial forecasts and business plan. We note that if IAG is not able to raise the required funding, the financial projections in its current business plan may not be achievable, which will have an impact on the overall Company valuation. Estimates and forecasts for such future income streams are clearly subject to a great deal of uncertainty and risk, with regard to both consumer factors (level of demand/pricing) as well as technological factors such as potential new developments, obsolescence etc.

9. VALUER

The above valuation was carried out on behalf of VC by Dr Fernando Da Cruz Vasconcellos, PhD, MRICS ("FCV"). VC and FCV can confirm that:

- VC and FCV have committed appropriate resources who were suitably qualified and experienced to carry out the valuation in accordance with the timescale set out in this letter.
- VC and FCV were in a position to provide an objective and unbiased valuation.
- VC and FCV had no material connection or involvement with the subject of the valuation assignment or the party commissioning the assignment.
- VC and FCV were competent to undertake the valuation assignment and have carried out the Services in an efficient, diligent and professional manner and with reasonable skill and care as is expected of a properly qualified and competent member of its profession experienced in carrying out similar work.

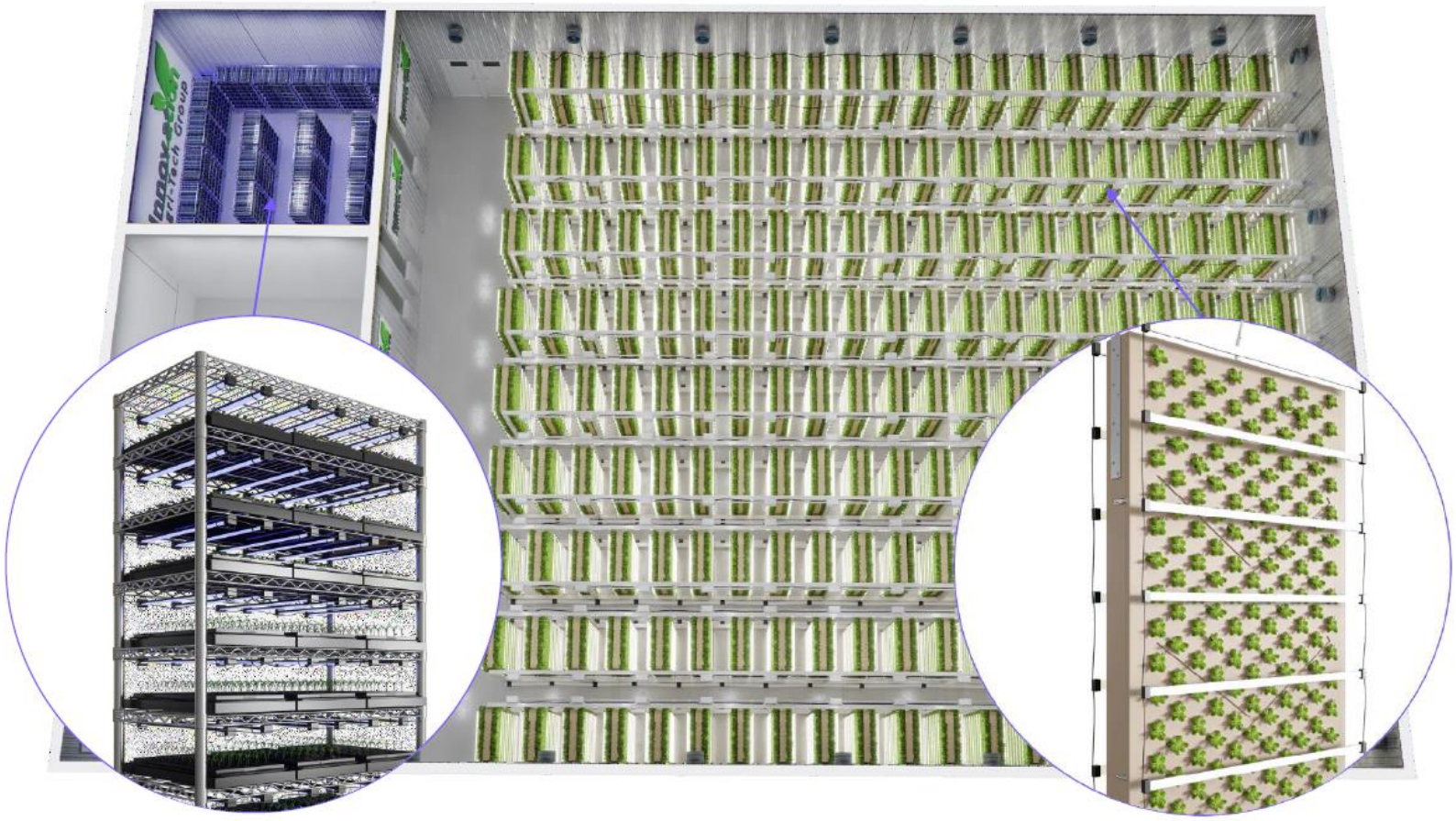
APPENDIX – IAG's P&L FORECAST (PROVIDED BY MANAGEMENT) FOR 2022-2024

Innovation Agri-Tech Group Calendar Year as at 31 December P&L	2022 £'	2023 £'	2024 £'
Revenue	15,696,471	41,483,529	71,755,294
Cost of Sales (-)			
Materials and supplies (in COGS)	(5,320,000)	(14,060,000)	(24,320,000)
Architect fees at 0.5% of sales	(70,000)	(185,000)	(320,000)
Installation costs (at £1800 per frame) contractor	(252,000)	(666,000)	(1,152,000)
Installation costs (expenses) contractor	(36,000)	(48,000)	(48,000)
Commissioning costs (IAG team)	(18,000)	(24,000)	(24,000)
Commissioning costs (IAG team) expenses	(9,000)	(12,000)	(12,000)
Commissions/retainers and fees	(400,000)	(920,000)	(1,550,000)
Post installation client support	(150,000)	(200,000)	(200,000)
Wages/salaries	(696,000)	(732,000)	(772,000)
Staff Benefits package + pension	(56,000)	(56,000)	(56,000)
Contract labour	(15,000)	(20,000)	(20,000)
Cost of Sales (-)	(7,022,000)	(16,923,000)	(28,474,000)
GROSS PROFIT / (LOSS)	**8,674,471**	**24,560,529**	**43,281,294**
General Administrative Expenses (-)			
Advertising/PR	(60,000)	(60,000)	(60,000)
Exhibitions and conferences	(35,000)	(50,000)	(50,000)
Insurance	(3,600)	(3,600)	(3,600)
Admin/back office expense	(40,000)	(40,000)	(40,000)
Rent of Bracknell facility	(36,000)	(36,000)	(36,000)
Repairs and maintenance	(12,000)	(12,000)	(12,000)
Supplies (not in COGS) nutrition, cocoa peat, seeds for R&D	(12,000)	(12,000)	(12,000)
Travel	(24,000)	(24,000)	(24,000)
Utilities	(60,000)	(66,000)	(76,000)
Telephone, post, sampling packs	(3,000)	(3,000)	(3,000)
General Administrative Expenses (-)	(285,600)	(306,600)	(316,600)
EBITDA	**8,388,871**	**24,253,929**	**42,964,694**
Depreciation & Amortisation (-)	(190,893)	(190,893)	(190,893)
PROFIT / (LOSS) BEFORE TAX	**8,197,978**	**24,063,036**	**42,773,801**
Corp Tax Rate	*19%*	*25%*	*25%*
Corporation Tax	(1,557,616)	(6,015,759)	(10,693,450)
NET PROFIT / (LOSS)	**6,640,362**	**18,047,277**	**32,080,351**
Sales growth	n/m	164%	73%
Gross profit	55%	59%	60%
PBT margin	42%	44%	45%
Tax	19%	25%	25%

*Source: Innovation Agri-Tech Group (IAG); * Note: Corporation tax is in line with UK Government's Corp Tax Rates.*

APPENDIX – IAG BESPOKE PROJECT FARM DESIGNS

IAG has unique/bespoke project designs for each of their customers to best meet their specific needs and requirements. Some examples of IAG's farm plans are presented below.



Seedling rack

Vertical pannel

APPENDIX - IAG KEY IP ASSETS

The following intellectual property assets have been supplied by IAG.

Patents

Innovation Agri-Tech acquired a patent portfolio relating to indoor vertical aeroponic plant growth from the US company Co-Alliance in addition to know-how and market access from Co-Alliance LLC. Under the terms of the Partnership between Innovation Agri-Tech Group LLC and Co-Alliance LLC full ownership of patent US9788495B and other related members of the same patent family were transferred to Innovation Agri-Tech Group along with significant quantities of farm equipment and know-how from Co-Alliance and exclusive access via Co-Alliance to sales and distribution rights in the United States. We were informed that this was provided to Innovation Agri-Tech Group by Co-Alliance in exchange for a 15% equity stake in the IAG Company.

Patent Family 1

Title: Vertical aeroponic plant growing enclosure with support structure

Subject Matter: Aeroponic Farming

Representative Family member: US9374953B

Patent Family	Country/ Jurisdiction	Status	Priority Date	Filing Date	Application Number	Publication Date	Publication Number	Grant Date	Expiry Date	Current Assignee
IAG1	United States	Granted	14/05/2015	30/05/2015	US20150814103	28/06/2016	US9374953B	28/06/2016	03/07/2035	Innovation Agri-Tech Group Ltd.
IAG1	United States	Granted	30/07/2015	14/05/2015	US20150712247	26/01/2016	US9241453B	26/01/2016	14/05/2035	Innovation Agri-Tech Group Ltd.
IAG1	United States	Granted	31/05/2016	17/01/2017	US20160168960	17/10/2017	US9788495B	17/10/2017	31/05/2036	Innovation Agri-Tech Group Ltd.
IAG1	PCT	PCT Application	30/07/2015	03/07/2015	WO2015US42938	04/02/2016	WO16019157A	-	01/06/2036	Innovation Agri-Tech Group Ltd.
IAG1	Australia	Application	30/07/2015	30/07/2015	AU20150296234	04/02/2016	AU20150296234	-	30/07/2035	Innovation Agri-Tech Group Ltd.
IAG1	EP	Application	30/07/2015	30/07/2015	EP20150827032	29/11/2017	EP3174382A	-	30/07/2035	Innovation Agri-Tech Group Ltd.
IAG1	India	Application	30/07/2015	28/02/2017	IN201717007035	23/06/2017	IN201717007035A	-	28/02/2037	Innovation Agri-Tech Group Ltd.
IAG1	South Africa	Application	30/07/2015	25/02/2017	ZA20170001419	25/04/2018	ZA201701419A	-	23/02/2037	Innovation Agri-Tech Group Ltd.

IAG has stated that it has been assigned an additional pending patent application in the US, number US 2018/0000029 A1, entitled Vertical Aeroponic Plant Growing Enclosure.

Proprietary Processes, Know-how and Trade Secrets

IAG holds significant know-how and technical data on the hydroponic/aeroponic production of crops, based on a proof of concept farm trials carried out in a farm in over the period of the past seven years. This farm has operated effectively to produce crops that have been demonstrated to be highly acceptable to major restaurants, chefs, and supermarket partners.

IAG's trade secrets relate to details and methods of production for aeroponic food not described in the manufacturing documents. We understand these Innovation Agri-Tech Group Trade Secrets are known to a select few key members of the Innovation Agri-Tech Group, and steps are taken to maintain tight control over all trade secret and related sensitive information.

IAG is ensuring that all key employees remain aware of the importance of the company's trade secrets and that all trade secrets are recorded properly, and on a protected and secure management system.

Trade Marks

IAG currently has the following unregistered trade marks, presented below and described in further detail in the table. IAG stated that it is in the process of seeking registration for the company's main trade marks.

Innovation Agri-Tech Group

FarmBox GrowPod GrowFrame

List of Trade Marks

Trade Mark No.	Country/ Jurisdiction	Status	Application Number	Filing Date	Registration Number	Registration Date	Title	Classes	Renewal Date	Current Owner / Assignee
1	United Kingdom	Unregistered	-	-	-	-	Innovation Agri-Tech Group	-	-	Innovation Agri-Tech Group
1	EU	Unregistered	-	-	-	-	Innovation Agri-Tech Group	-	-	Innovation Agri-Tech Group
1	UAE	Unregistered	-	-	-	-	Innovation Agri-Tech Group	-	-	Innovation Agri-Tech Group
2	United Kingdom	Unregistered	-	-	-	-	FARMBOX	-	-	Innovation Agri-Tech Group
3	United Kingdom	Unregistered	-	-	-	-	GROWPOD	-	-	Innovation Agri-Tech Group
4	United Kingdom	Unregistered	-	-	-	-	AGRITECTURE	-	-	Innovation Agri-Tech Group
5	United Kingdom	Unregistered	-	-	-	-	"Pioneers of intelligent farming"	-	-	Innovation Agri-Tech Group

Design Rights

We understand that IAG has developed engineering designs for the hydroponic/aeroponic farm plant concept and for the hydroponic/aeroponic panel units for intensive food production. These form a material part of the IAG's assets. A registered design refers to the features of a shape, configuration, pattern or ornament applied to an article by any industrial process. If you register a design, you will be protecting the external appearance of the article. Registered Designs are quick and simple to obtain and primarily used to protect designs for industrial use. They last up to 25 years and complement trade mark protection and are most often used to protect consumer product designs. We were informed that Innovation Agri-Tech Group has also developed engineering designs for its current and future products. The list of Innovation Agri-Tech Group designs are presented below. Furthermore, Innovation Agri-Tech Group have stated that they are currently investigating the possibility of registering suitable aesthetic aspects of the designs listed below, as deemed suitable for the business.

List of Designs

Design No.	Country/ Jurisdiction	Status	Application Number	Filing Date	Design	Associated Company Products and Services	Current Owner / Assignee
Aeroponics Designs							
1	United Kingdom	Unregistered	-	-	Aeroponice Cylinder tube	Aeroponics	Innovation Agri-Tech Group
2	United Kingdom	Unregistered	-	-	Aeroponic Cubiod Tube	Aeroponics	Innovation Agri-Tech Group
3	United Kingdom	Unregistered	-	-	Aeroponic Pannel Design	Aeroponics	Innovation Agri-Tech Group
4	United Kingdom	Unregistered	-	-	Aeroponic Cubiod tube 2	Aeroponics	Innovation Agri-Tech Group
5	United Kingdom	Unregistered	-	-	Aeroponic Cylinder tube Double	Aeroponics	Innovation Agri-Tech Group
6	United Kingdom	Unregistered	-	-	Aeroponic cubiod Tube double	Aeroponics	Innovation Agri-Tech Group
Hydroponics Designs							
7	United Kingdom	Unregistered	-	-	Hydroponic rack system design	Hydroponics	Innovation Agri-Tech Group
FarmBox Set up Designs							
8	United Kingdom	Unregistered	-	-	Aeroponic Farmbox Set up orignal	FarmBox	Innovation Agri-Tech Group
9	United Kingdom	Unregistered	-	-	Aeroponic Farmbox Pannel set up	FarmBox	Innovation Agri-Tech Group
10	United Kingdom	Unregistered	-	-	Aeroponic Farmbox tube set up	FarmBox	Innovation Agri-Tech Group
11	United Kingdom	Unregistered	-	-	Aeroponic Farmbox Trolly Set up	FarmBox	Innovation Agri-Tech Group
12	United Kingdom	Unregistered	-	-	Hydroponic Farmbox Rack set up	FarmBox	Innovation Agri-Tech Group
Facility Layout Designs							
13	United Kingdom	Unregistered	-	-	Facility 1 Layout	Facility Layout	Innovation Agri-Tech Group
14	United Kingdom	Unregistered	-	-	Facility 2 layout (industrial site)	Facility Layout	Innovation Agri-Tech Group

Software

IAG has also stated that it has developed proprietary software to provide automation and flexibility to its bespoke vertical farms for clients.

Proprietary Data

IAG has monitored and collected significant proprietary data that is essential for the stream-lined operations of its hydroponic and aeroponic farms. This is a significant asset that will assist future franchisees and partners scale and obtain excess returns.

Red Tractor and Global Gap Status

IAG has achieved the Red Tractor certification, which allows the Company to apply for the Global Gap Status.

A recent publication entitled UK Vertical Farm One of the First to Red Tractor Certification | SAI Global® Assurance (saiassurance.co.uk).

The benefits to obtaining the accreditation include the following:

*"**Strengthened company culture**: As a relatively new team with varied backgrounds in different industries, being able to work towards a common goal across all areas of the business has brought the team together and bolstered our company culture.*

***Improved processes**: While undertaking the Red Tractor certification, IAG had to analyse and refine multiple areas of the business. This has improved IAG's personal confidence in their processes and provides a constant framework for comparison. An element of the paperwork has also been used as an efficient training tool for its new starters.*

***Improved operational efficiencies**: The process of fresh produce assurance has given IAG the framework to install a strong internal documentation infrastructure, which has massively boosted the efficiency and consistency of IAG's operations.*

***Increased focus on sustainability and environmental protection** – a critical aspect of vertical farming. IAG's Bracknell site sits on fifteen acres of fallow countryside and the environmental management plan that the Company has created using the Red Tractor framework and guidelines is allowing IAG to protect this environment, as well as utilise available spaces for alternative energy sources for the farm.*

***Strengthened self-audit evaluation**: Often vision can be clouded from those inside the business, possibly from being too close to the process. Certification has led IAG to be more skilled in identifying errors in its systems from within."*

ValuationConsulting

VALUATION AS AT JANUARY 2023 AND AS AT JANUARY 2024 – FOR ILLUSTRATIVE PURPOSES

For illustrative purposes we have estimated the NPV of the IAG business opportunity (i) as at January 2023 and (ii) as at January 2024, presented below.

Innovation Agri-Tech Group		**Valuation as at Jan 2023 for Illustrative Purposes**					
Discount Rate	40.0%						
Growth to Perpetuity	2.0%	IAG Forecast		*VC estimates*			
Cashflow growth		167.0%	76.9%	*30.0%*	*15.0%*	*7.5%*	*2.5%*
Calendar Year as at 31 December		**2023**	**2024**	**2025**	**2026**	**2027**	**2028**
		£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Forecast Cashflows		18,238	32,271	41,953	48,246	51,864	53,161
Initial capital expenditure		(8,000)					
Part Year		1.0	1.0	1.0	1.0	1.0	1.0
PV months		6.0	18.0	30.0	42.0	54.0	66.0
PV Years		0.5	1.5	2.5	3.5	4.5	5.5
PV Factor		0.845	0.604	0.431	0.308	0.220	0.157
PV Cashflows		7,414	19,482	18,090	14,860	11,410	8,354
Sum of Post Tax Cashflows		**79,609**					
Perpetuity calculation							
Cash flow terminal year		53,161					
+growth (1+g)		54,224					
Cap rate (r-g)		38.0%					
Terminal year value		142,694					
Discount period (months)		66.0					
Discount period (years)		5.5					
Present value factor		0.157					
Present Value of terminal year cash flow		**22,423**					
Sum of NPV Post Tax Cashflows		**102,033**					

Innovation Agri-Tech Group		Valuation as at Jan 2024 for Illustrative Purposes				
Discount Rate	40.0%					
Growth to Perpetuity	2.0%	IAG Forecast		*VC estimates*		
Cashflow growth		76.9%	*30.0%*	*15.0%*	*7.5%*	*2.5%*
Calendar Year as at 31 December		**2024**	**2025**	**2026**	**2027**	**2028**
		£'000	**£'000**	**£'000**	**£'000**	**£'000**
Forecast Cashflows		32,271	41,953	48,246	51,864	53,161
Initial capital expenditure						
Part Year		1.0	1.0	1.0	1.0	1.0
PV months		6.0	18.0	30.0	42.0	54.0
PV Years		0.5	1.5	2.5	3.5	4.5
PV Factor		0.845	0.604	0.431	0.308	0.220
PV Cashflows		27,274	25,326	20,804	15,974	11,695
Sum of Post Tax Cashflows		**101,073**				
Perpetuity calculation						
Cash flow terminal year		53,161				
+growth (1+g)		54,224				
Cap rate (r-g)		38.0%				
Terminal year value		142,694				
Discount period (months)		54.0				
Discount period (years)		4.5				
Present value factor		0.220				
Present Value of terminal year cash flow		**31,393**				
Sum of NPV Post Tax Cashflows		**132,466**				

For illustrative purposes, based on the above, the market value of the IAG business opportunity, (i) as at January 2023 is approximately £102m, and (ii) as at January 2024 is approximately £132m; both on an Enterprise Value basis. We note that these illustrative valuations above are not the current valuation as at Dec 2021.