

Company Registration No. SC440534 (Scotland)

INTELLIGENT GROWTH SOLUTIONS LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

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INTELLIGENT GROWTH SOLUTIONS LIMITED

COMPANY INFORMATION

Directors

Mr B R Richardson
Mr S Krishnan
Mr J G Watson
Mr D Farquhar
Mr J Mraz
Ms A Zopp (Appointed 1 May 2022)
Mr D S Levin (Appointed 28 September 2022)

Secretary

Thorntons Law LLP

Company number

SC440534

Registered office

Kinburn Castle
Doubledykes Road
St Andrews
Fife
KY16 9DR

Independent auditor

PricewaterhouseCoopers LLP
Level 4
Atria One
144 Morrison Street
Edinburgh
EH3 8EX

INTELLIGENT GROWTH SOLUTIONS LIMITED

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INTELLIGENT GROWTH SOLUTIONS LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present the strategic report for the year ended 31 December 2022.

Review of the business

Despite a multitude of factors including the global economic headwinds, the war in Ukraine, and Brexit, the market positioning of IGS continues to develop momentum and strength. We have successfully used the economic hiatus to build both capability and capacity.

We entered 2022 with an ambitious target, our Mission High Five: to have five delighted customers growing crops with IGS infrastructure by the close of the year. I am delighted to report that we have met this target, and now have 17 installations of our technology live across the world, from containers to 9 metre high Growth Towers in producing farms.

Much has been written about the development of the vertical farming industry. 2022 saw interest rates continue to tighten, exacerbating the increasing cost of capital and reducing risk appetite. Power prices continued to be volatile, challenging our industry and our customers. For IGS, this has consequently impacted our ability to convert the pipeline into deployments and successful installations. That being said, we can report a significant build in high-quality pipeline with line of sight to strong order conversion. As the proof of concept evolves, we are seeing a significant uplift beyond expectation for the scale of our farms, rising from 40 to over 200 Towers. We can also report no competitive losses to other technologies in the marketplace.

The challenge of the customer unit economics of our value proposition has shaped our geographic focus. Whilst pipelines in the UK and Europe have slowed, IGS has made positive strides in the US and Middle Eastern geographies. Our North American operation is now fully established, with towers successfully deployed to customers and operating. Furthermore, the deployment of our Growth Towers has made a positive impact on customer profitability.

We continue to make strong progress within our crop science research and development, with more than 250 crop varieties now successfully grown with our Growth Towers. Advances in yield, performance improvements and the development of novel use cases for the technology, such as growing forestry seedlings, have all contributed to an expanded market reach through 2022. Middle East market opportunities are now coming to fruition at scale after a two-year business development cycle. Unit economics are positive in the region, with low electricity pricing, accessible and affordable capital investment, and widespread availability of renewable energy resources. In 2024 we expect to demonstrate our technology at scale in this marketplace.

Research and development

We are pleased to present an overview of our Research and Development (R&D) achievements in the areas of crop research, data science, and product engineering for the fiscal year ending 2022. Our commitment to innovation and advancement continues to drive our company's growth and position us as a leader in the industry.

Crop Research and current developments:

Forestry:

In collaboration with Forestry and Land Scotland, our crop science endeavours have yielded remarkable progress. Our focus on forestry has led to successful trials of 6 broadleaf and 6 conifer species at the tree starter stage, including Silver Birch, Oak, Scots Pine, and Douglas Fir. Notably, these trials have demonstrated an impressive 4x acceleration in growth compared to traditional methods, all while maintaining a highly competitive production cost. Looking ahead to 2023, we have plans to expand our trials further, encompassing additional species. This achievement not only underscores our commitment to sustainable forestry but also positions us to significantly impact the industry's efficiency and ecological stewardship.

Seed to Harvest:

Aside from the exciting developments in forestry trials we have maintained focus on our "seed to harvest" trials. We are pleased to report that we have successfully trialled an impressive array of crop types, demonstrating our commitment to diversifying and enhancing agricultural productivity. Through partnership with our data science resources, we are now making significant headway in transforming these trials into productised recipes. These data-driven recipes are poised to revolutionise farming practices by maximising yield, minimising waste, and optimising resource utilisation.

INTELLIGENT GROWTH SOLUTIONS LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

Hybrid Operating Model and Starter Plants:

The concept of a hybrid operating model, harmonizing traditional and innovative approaches, is a pivotal area driving our growth. Our achievements in forestry stand as a testament to this approach. Looking ahead, this model holds immense promise beyond forestry. Whether it's the cultivation of leafy greens to then move into greenhouses or broadacre fields, the expansion into soft and vine fruits, or the nurturing of trees as previously outlined, the hybrid operating model continues to be a beacon of opportunity.

Data Science:

Our investment into the data team and tooling have enabled us to harness the extensive data streams generated by IGS Growth Towers. This development has proved instrumental in shaping our crop research recipes and product engineering initiatives. By leveraging these data insights, we gain a better and more precise understanding of our product performance and have adopted a consistent scientific research methodology, enhancing our crop research and product engineering efforts. We are also excited to announce the development of customer-oriented products stemming from our data science advancements. The Crop Height Tracker developed with machine learning, for instance, is poised to enhance customer success by automating crop growth progress monitoring. This dual-benefit approach ensures our continued alignment with customer needs and elevates our position as pioneers in data-driven agricultural solutions.

Product Engineering:

We have made substantial progress in product engineering. We have now fully specified the build for 12m Growth Towers, our largest model, enabling fulfilment of customer orders in 2023. As part of our ongoing efforts, we have directed substantial attention towards enhancing the robustness and resilience of our products. This dedication to engineering ensures that our solutions remain at the forefront of the industry, consistently delivering exceptional performance and durability.

In summary, the past year has witnessed remarkable advancements across our three key R&D activities: crop research, data science, and product engineering. Our collaborations and innovations have propelled us to achieve faster and more sustainable growth in forestry, leverage data-driven insights for enhanced product development, and engineer products that embody excellence and resilience. As we move forward, we remain committed to pushing boundaries, fostering collaborations, and revolutionising the agricultural landscape through our core skills in research and development.

Future developments

In 2023, our company is strategically positioned to leverage the exciting opportunities that have arisen from our substantial progress in research and development, as well as our successful scaling and enhanced capabilities. Despite facing a challenging funding environment, economic headwinds stemming from rising interest rates, and elevated power costs in certain regions due to geopolitical tensions, we are resolute in our determination to surmount these obstacles and drive our business forward. The board of directors recognises these hurdles and the significance of crossing the chasm in our journey, but we remain confident in the evolving market dynamics and our ability to capitalise on them.

As we embark on this transformative year, our focus will be on shaping our business model to seize the potential presented by the emerging industry landscape. We understand the necessity of agility in navigating the changing trends and external events, and we are committed to adjusting our structure and focus accordingly. This adaptability will be critical as we aim to make our mark in the market and successfully navigate the path forwards.

In light of the ongoing industry shakeout, we are well-positioned as a technology and infrastructure provider, uniquely poised to benefit from the industry's growth. We have identified specific geographies and markets where the unit economics align favourably for our customers, and where market readiness is at its peak. Our strategic approach involves targeting regions where the mainstream adoption of our solutions is most feasible.

With this in mind, our focus for 2023 will be twofold. Firstly, we see potential in the Western markets for starter plants, especially those that can seamlessly integrate with existing infrastructure. Growth Towers' capabilities align well with this approach, ensuring the successful establishment and growth of these plants. Secondly, we recognise the opportunities presented in seed-to-harvest scenarios, particularly in regions with less challenging power cost dynamics. These markets offer a strong foundation for our expansion efforts.

INTELLIGENT GROWTH SOLUTIONS LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

One of the most exciting prospects on our horizon is the Middle East. This region presents a unique blend of factors including low-cost power availability, substantial capital resources, water scarcity, and food insecurity issues. These conditions align both with our technology's capabilities and our wider business goals, making the Middle East an enticing opportunity for IGS. We are committed to exploring and establishing a beachhead project in this region, showcasing the potential of our solutions and contributing to its sustainable development. Historically this has been a challenging market to enter for the company, however we are confident that in 2023 we have the momentum and strategy to look to our first big win in this region.

In summary, 2023 is poised to be a pivotal year for our company. We are dedicated to demonstrating our ability to cross the chasm and carve out our space in the market. Our commitment to agility, strategic focus on favourable geographies, and exploration of new and promising markets will be central to our success. As we navigate through challenges and seize opportunities, we remain confident in our business model's strength and our potential to lead in the evolving industry landscape.

Risks and uncertainties

Looking forward, IGS remains committed to delivering value to our customers and exceeding performance expectations. The principal risks and uncertainties present in 2022 continue to dominate our landscape as we look beyond 2023:

Reduced financial risk appetite and increased cost of capital:

The reduced risk appetites of investors and financial institutions, coupled with an increased cost of capital in the current market environment, have led to challenges in obtaining financing. This has, in turn, prolonged the timelines for fundraising for customers seeking to adopt IGS' technology. Extended fundraising timelines could potentially result in delays in customer deployments, hindering the IGS' ability to generate revenue and meet its growth targets. While the company is exploring the potential of financing partners to reduce this risk, these options do have a lead time and a risk appetite question.

High power costs and inflation impact:

The persistently volatile cost of electricity poses a significant financial burden, impacting the unit economics of some business cases and customer projects. Additionally, prevailing inflationary pressures have led to increased costs of production, affecting the unit economics of IGS' offerings. While some of these inflationary effects are offset by inflation in food prices, the non-parallel movement of these costs creates complexity in customers managing their business plans. The company has looked to shift focus towards geographies and markets where these issues are less prevalent with regards to forward looking pipeline. Steps are also being taken to proactively seek out customers capable of powering projects via their own power infrastructure or private wire.

Scaling challenges and supply chain risks:

As the business aims to scale its operations, it faces inherent risks related to the supply chain and deployment processes. Rapid scaling can strain the supply chain, leading to potential disruptions in the availability of critical components and materials. These disruptions could result in production delays and compromise the company's ability to meet customer demands. IGS currently has good relations with its suppliers and continuously monitors availability of components with long lead times against the deployment forecast to ensure availability.

Customer success and advocacy:

The successful deployment and subsequent commercial usage of the technology by customers are essential factors in building a positive reputation and fostering advocacy. If customers do not achieve the desired outcomes or encounter challenges during deployment, it could lead to dissatisfaction and reluctance to advocate for the technology. Ensuring customer success is crucial for demonstrating the technology's commercial viability and attracting new customers. The company has adopted a policy of 'hyper care' to ensure customer success with initial customers and ensure learnings are fed back into the 'business as usual' customer support process.

Regional expansion and compliance:

Expanding into new regions exposes the company to regulatory and compliance risks. Adapting the product engineering to comply with local laws and regulations can be complex and time-consuming. Changes to supply chain lead times, deployment timelines, and other localisation issues may also arise, impacting the company's ability to efficiently enter new markets. The sales cycle and deployment timelines give the company good visibility into new markets and as such the company focuses on mitigating these risks as they become crystallised with customer orders.

INTELLIGENT GROWTH SOLUTIONS LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

Dependency on external financing:

The business model's requirement to achieve a certain level of deployments per month to attain continuous EBITDA-positive performance is crucial. Until this threshold is reached, the company remains reliant on external financing to sustain its scaling and growth initiatives. Market fluctuations or challenges in securing financing could challenge the company's growth trajectory. IGS remains confident in the support of its institutional shareholder base who share the company's vision for transformation of the agricultural supply chain and the necessity of this technology in future supply chains.

Key Performance Indicators

IGS employs a number of Key Performance Indicators (KPIs) to enable it to monitor the performance of the business and the product versus the business plan. The company uses a balanced scorecard approach of financial and non-financial metrics based upon those which most influence business outcomes and over which the company has the most control.

Leading indicators:

The company has recently moved to an Account Based Marketing (ABM) strategy to improve the quality of marketing leads generated for the Sales funnel. The indicators that will be tracked include:

Account Engagement Score: Measures the level of engagement and interaction with target accounts across various marketing channels.

Conversion Rate: Tracks the percentage of targeted accounts that move from initial interest to becoming leads or customers.

Lead Quality: Evaluates the relevance and potential of leads generated through ABM efforts.

Marketing Qualified Leads (MQLs) then enter the sales pipeline where they go through a stage gated process of qualification and engagement. The acronym FLOAT (standing for Finance, Land, Offtaker, Authority to proceed, Time bound) is used to qualify customers. If the given criteria are met, or a prospect is able to demonstrate a clear pathway towards that criteria being successfully achieved, the sales team will work to move the lead through the pipeline from prospect to customer.

These leads then progress through to become Booked Sales, at which point they help to give a view of the deployments and revenues expected for the following periods.

Financial and current performance

The business focuses on the following KPIs when reviewing its actual performance and variances to budget. These are key in understanding the growth path and trajectory of the business, alongside the level of market traction. It is worth noting here that since vertical farming is a nascent industry, this data is currently the best available indicator of market penetration.

Revenue and gross margin per project/tower: this gives a view of the profitability of individual projects and their contribution.

Bill of Materials: this is the overall cost of sales for a given Growth Tower and is monitored to understand the levels of cost inflation and economies of scale that the company has in its product offering.

Number of towers deployed: this is directly linked to revenues and demonstrates the commercial traction of the product. This is monitored and forecast on a by region basis.

Qualifying research spend: this is continuously monitored for potential R&D tax credits and for understanding the amount of operating expenditure which is spent on improving the company's IP.

Cash runway: the number of months of cash the company has on hand to fund ongoing operations before needing to raise further funds.

INTELLIGENT GROWTH SOLUTIONS LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

Product monitoring:

The company also monitors a number of KPIs to do with the operation, efficiency and quality of the product. This ensures that the product aligns to customer demands and expectations and feeds into the product management lifecycle, with the performance of the product directly influencing marketing efforts, and the voice of the customer feeding back into product development. A few of the key product performance KPIs are outlined below:

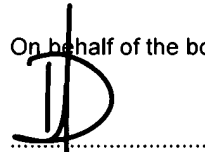
Number of crop recipes: these are monitored both for quantity and quality to ensure the crop portfolio performs to a high enough standard to be commercially viable. Quality is monitored primarily by the following two metrics, albeit unstructured data also plays a part in crop quality e.g., taste, smell, appearance, nutrition.

- Yield in kg / m²: This captures the productivity of specific crop recipes to understand capital efficiency of the product.
- kWh per kg: This captures the operating efficiency of the product with the cost of electricity being the highest operating cost for a customer.

Other matters

As our capability develops in the design, build and deployment of our vertical farming solution and bringing it to the wider marketplace, we remain confident our approach and product will continue to remain at the forefront of the evolving market. Food security and climate challenges continue to present with increasing frequency, rendering our focus clear: deploying our technology at scale achieving 'giga farm' production, and delivering yields and returns for our customers and investors.

On behalf of the board



.....
Mr D Farquhar

Director

11/09/2023.....

INTELLIGENT GROWTH SOLUTIONS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present their annual report and financial statements for the year ended 31 December 2022.

Principal activities

The principal activity of the group is the research and development, productisation and supply of systems and services using science and technology, for industrial applications, principally in sustainable Controlled Environment Agriculture.

Results and dividends

The results for the year are set out on page 12.

No ordinary dividends were paid. The directors do not recommend payment of a further dividend.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Mr B R Richardson

Mr S Krishnan

Mr J G Watson

Mr D Farquhar

Mr D Brenninkmeijer

(Resigned 28 September 2022)

Mr J Mraz

Ms A Zopp

(Appointed 1 May 2022)

Mr D S Levin

(Appointed 28 September 2022)

Qualifying third party indemnity provisions

The group has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the reporting date.

Future developments

IGS sites: In November 2022, we formally announced that Loveland, Colorado, had been selected as IGS' North American headquarters. The Loveland office – initially a small satellite office – was launched in Q1 2023 and will serve as a central point for the newly established NA team which includes functions such as sales, supply chain, customer support, marketing, HR, and deployment.

Construction of the superstructure for two additional Growth Towers at the Invergowrie Crop Research Centre was completed in late 2022, with the Growth Tower fit-out and a new office completed in 2023. Plans are in progress to replace the polytunnels at the Crop Research Centre with a more permanent, purpose-built crop science facility through 2023, further improving our crop science offering. In addition, we are extending the footprint of our Engineering Innovation Centre at Inverkeithing in Fife.

Crop trials on behalf of customers and for IGS' own R&D have continued apace through 2022, with significant success seen through Scottish native and commercial forestry seedling trials in partnership with Forestry & Land Scotland.

The first tomato fruits were harvested at the Crop Research Centre, with future trials planned to develop the quality and economy of the crop. Automation concept designs are undergoing testing to enhance the offer outside the Growth Tower environment and enable large-scale deployments.

The IGS crew continues to grow, and now totals more than 220 full time employees, spread across three continents. In line with the launch of the IGS North American headquarters, recruitment in the US has ramped up significantly, with the new team members visiting Scotland in early January 2023 to participate in kick-off meetings and visit the Crop Research Centre. The strength of our board continues to develop with the additions of Andrea Zopp, Managing Partner at Cleveland Avenue (Chicago), and David Levin, Executive Chairman, Sustainable Food Group at COFRA Holding AG (NYC).

INTELLIGENT GROWTH SOLUTIONS LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

Independent auditors

In accordance with section 485 of the Companies Act 2006, a resolution proposing that PricewaterhouseCoopers LLP be re-appointed will be put at the company's next General Meeting.

Statement of disclosure to auditors

Each director in office at the date of approval of this annual report confirms that:

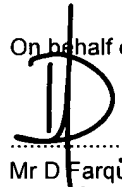
- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- the director has taken all the steps that he / she ought to have taken as a director in order to make himself / herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Strategic report

The company has chosen, in accordance with section 414C(11) Companies Act 2006, to set out in the group's strategic report information required by Schedule 7 of the Large and Medium-sized companies and groups (Accounts and Reports) Regulations 2008 to be contained in the directors' report. It has done so in respect of principal risks and uncertainties, financial risk management, financial key performance indicators, research and development and future developments.

On behalf of the board



.....
Mr D Farquhar
Director

Date: 11/09/2023

INTELLIGENT GROWTH SOLUTIONS LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2022

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group and parent company financial statements in accordance with UK adopted international accounting standards. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INTELLIGENT GROWTH SOLUTIONS LIMITED

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF INTELLIGENT GROWTH SOLUTIONS LIMITED

Report on the audit of the financial statements

Opinion

In our opinion, Intelligent Growth Solutions Limited's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2022 and of the group's loss and the group's and company's cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the group and company statements of financial position as at 31 December 2022; the group statement of comprehensive income, the group and company statements of changes in equity and the group and company statements of cash flows for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's and the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

INTELLIGENT GROWTH SOLUTIONS LIMITED

INDEPENDENT AUDITORS' REPORT (CONTINUED)

TO THE MEMBERS OF INTELLIGENT GROWTH SOLUTIONS LIMITED

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to UK tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to manipulation of revenue to improve the reported performance of the company, for example through journal entries. Audit procedures performed by the engagement team included:

- Enquiries of management around known or suspected instances of non-compliance with laws and regulations, claims and litigation, and instances of fraud;
- Understanding management's controls designed to prevent and detect irregularities;
- Review of board minutes; and
- Identifying and testing journal entries, with specific focus on entries containing unusual account combinations.

INTELLIGENT GROWTH SOLUTIONS LIMITED

INDEPENDENT AUDITORS' REPORT (CONTINUED)

TO THE MEMBERS OF INTELLIGENT GROWTH SOLUTIONS LIMITED

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Matthew Kaye (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Edinburgh
Date: 11 September 2023

INTELLIGENT GROWTH SOLUTIONS LIMITED

GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 £	2021 £
Revenue	3	3,924,903	702,961
Cost of sales		(4,616,590)	(726,461)
Gross loss		(691,687)	(23,500)
Other operating income		194,350	-
Administrative expenses		(20,801,442)	(13,418,628)
Operating loss	4	(21,298,779)	(13,442,128)
Investment revenues	7	3,145	612
Finance costs	8	(115,001)	(125,838)
Loss before taxation		(21,410,635)	(13,567,354)
Income tax credit	9	1,212,654	1,381,897
Loss and total comprehensive expense for the year		(20,197,981)	(12,185,457)

Loss for the financial year is all attributable to the owners of the parent company.

Total comprehensive expense for the year is all attributable to the owners of the parent company.

INTELLIGENT GROWTH SOLUTIONS LIMITED

GROUP STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	Notes	2022 £	2021 £
Non-current assets			
Intangible assets	10	1,757,561	3,075,732
Property, plant and equipment	11	2,979,563	1,927,793
Investments	12	50	50
Finance lease receivables	15	216,103	-
Deferred tax asset	19	100,398	-
		<u>5,053,675</u>	<u>5,003,575</u>
Current assets			
Inventories	14	4,805,361	2,950,141
Trade and other receivables	16	3,019,870	3,379,293
Current tax recoverable		1,946,006	833,750
Cash and cash equivalents		7,554,127	26,585,879
		<u>17,325,364</u>	<u>33,749,063</u>
Current liabilities			
Trade and other payables	17	7,422,872	5,558,475
Lease liabilities	18	342,395	223,519
		<u>7,765,267</u>	<u>5,781,994</u>
Net current assets		<u>9,560,097</u>	<u>27,967,069</u>
Non-current liabilities			
Lease liabilities	18	711,220	862,960
Net assets		<u>13,902,552</u>	<u>32,107,684</u>
Equity			
Called up share capital	22	5,841	5,780
Share premium account	22	54,156,255	53,911,552
Accumulated losses	22	(40,259,544)	(21,809,648)
Total equity		<u>13,902,552</u>	<u>32,107,684</u>

The financial statements were approved by the board of directors and authorised for issue on 06/09/2023 and are signed on its behalf by:



Mr D Farquhar
Director

11 September 2023

INTELLIGENT GROWTH SOLUTIONS LIMITED

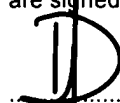
COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	Notes	2022 £	2021 £
Non-current assets			
Intangible assets	10	1,757,561	3,075,732
Property, plant and equipment	11	2,979,563	1,927,793
Investments	12	51	50
Finance lease receivables	15	216,103	-
		<u>4,953,278</u>	<u>5,003,575</u>
Current assets			
Inventories	14	4,805,361	2,950,141
Trade and other receivables	16	3,670,651	3,379,293
Current tax recoverable		1,946,006	833,750
Cash and cash equivalents		7,554,127	26,585,879
		<u>17,976,145</u>	<u>33,749,063</u>
Current liabilities			
Trade and other payables	17	7,422,872	5,558,475
Lease liabilities	18	342,395	223,519
		<u>7,765,267</u>	<u>5,781,994</u>
Net current assets		<u>10,210,878</u>	<u>27,967,069</u>
Non-current liabilities			
Lease liabilities	18	711,220	862,960
Net assets		<u>14,452,936</u>	<u>32,107,684</u>
Equity			
Called up share capital	22	5,841	5,780
Share premium account	22	54,156,255	53,911,552
Accumulated losses	22	(39,709,160)	(21,809,648)
Total equity		<u>14,452,936</u>	<u>32,107,684</u>

As permitted by s408 Companies Act 2006, the company has not presented its own income statement and related notes. The company's loss for the year was £19,647,597 (2021: £12,185,457 loss).

The financial statements were approved by the board of directors and authorised for issue on 06/09/2023 and are signed on its behalf by:



Mr D Farquhar
Director

11 September 2023

Company Registration No. SC440534

INTELLIGENT GROWTH SOLUTIONS LIMITED

GROUP STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	Share capital £	Share premium account £	Accumulated losses £	Total £
Balance at 1 January 2021		4,082	12,155,563	(11,249,385)	910,260
Year ended 31 December 2021:					
Loss and total comprehensive expense for the year		-	-	(12,185,457)	(12,185,457)
Issue of share capital	22	1,481	37,531,976	-	37,533,457
Conversion of loan	22	217	4,224,013	-	4,224,230
Credit to equity for equity settled share-based payments	21	-	-	1,625,194	1,625,194
Balance at 31 December 2021		<u>5,780</u>	<u>53,911,552</u>	<u>(21,809,648)</u>	<u>32,107,684</u>
Year ended 31 December 2022:					
Loss and total comprehensive expense for the year		-	-	(20,197,981)	(20,197,981)
Issue of share capital	22	61	244,703	-	244,764
Credit to equity for equity settled share-based payments	21	-	-	1,748,085	1,748,085
Balance at 31 December 2022		<u>5,841</u>	<u>54,156,255</u>	<u>(40,259,544)</u>	<u>13,902,552</u>

INTELLIGENT GROWTH SOLUTIONS LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	Share capital £	Share premium account £	Accumulated losses £	Total £
Balance at 1 January 2021		4,082	12,155,563	(11,249,385)	910,260
Year ended 31 December 2021:					
Loss and total comprehensive expense for the year		-	-	(12,185,457)	(12,185,457)
Issue of share capital	22	1,481	37,531,976	-	37,533,457
Conversion of loan	22	217	4,224,013	-	4,224,230
Credit to equity for equity settled share-based payments	21	-	-	1,625,194	1,625,194
Balance at 31 December 2021		5,780	53,911,552	(21,809,648)	32,107,684
Year ended 31 December 2022:					
Loss and total comprehensive expense for the year		-	-	(19,647,597)	(19,647,597)
Issue of share capital	22	61	244,703	-	244,764
Credit to equity for equity settled share-based payments	21	-	-	1,748,085	1,748,085
Balance at 31 December 2022		5,841	54,156,255	(39,709,160)	14,452,936

06/09/2023

INTELLIGENT GROWTH SOLUTIONS LIMITED

GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 £	£	2021 £	£
Cash flows from operating activities					
Cash absorbed by operations	25	(18,691,073)		(12,824,723)	
Interest paid		(1,240)		(6)	
Payment of lease liabilities		(405,831)		(131,908)	
Tax refunded		-		548,147	
Net cash used in from operating activities		(19,098,144)		(12,408,490)	
Investing activities					
Purchase of intangible assets		-	(872,713)		
Purchase of property, plant and equipment	(1,379,357)		(737,561)		
Proceeds on disposal of property, plant and equipment		2,022	1,266		
Interest received		722	612		
Net cash used in investing activities		(1,376,613)		(1,608,396)	
Financing activities					
Proceeds from issue of shares		245,264	37,956,027		
Share issue costs		(500)	(422,570)		
Issue of convertible loans		-	1,935,414		
Repayment of convertible loans		-	(211,305)		
Net cash generated from financing activities		244,764		39,257,566	
Net (decrease)/increase in cash and cash equivalents		(20,229,993)		25,240,680	
Cash and cash equivalents at beginning of year		26,585,879		1,100,654	
Effect of foreign exchange rates		1,198,241		244,545	
Cash and cash equivalents at end of year		7,554,127		26,585,879	

INTELLIGENT GROWTH SOLUTIONS LIMITED

COMPANY STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 £	£	2021 £	£
Cash flows from operating activities					
Cash absorbed by operations	26	(18,691,073)		(12,824,723)	
Interest paid		(1,240)		(6)	
Payment of lease liabilities		(405,831)		(131,908)	
Tax refunded		-		548,147	
Net cash used in from operating activities		(19,098,144)		(12,408,490)	
Investing activities					
Purchase of intangible assets		-	(872,713)		
Purchase of property, plant and equipment	(1,379,357)		(737,561)		
Proceeds on disposal of property, plant and equipment		2,022	1,266		
Interest received		722	612		
Net cash used in investing activities		(1,376,613)		(1,608,396)	
Financing activities					
Proceeds from issue of shares		245,264	37,956,027		
Share issue costs		(500)	(422,570)		
Issue of convertible loans		-	1,935,414		
Repayment of convertible loans		-	(211,305)		
Net cash generated from financing activities		244,764		39,257,566	
Net (decrease)/increase in cash and cash equivalents		(20,229,993)		25,240,680	
Cash and cash equivalents at beginning of year		26,585,879		1,100,654	
Effect of foreign exchange rates		1,198,241		244,545	
Cash and cash equivalents at end of year		7,554,127		26,585,879	

INTELLIGENT GROWTH SOLUTIONS LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

Company information

Intelligent Growth Solutions Limited is a private company limited by shares incorporated and domiciled in the United Kingdom. The registered office is Kinburn Castle, Doubledykes Road, St Andrews, Fife, KY16 9DR. The company's principal activities and nature of its operations are disclosed in the directors' report.

The group consists of Intelligent Growth Solutions Limited and all of its subsidiaries.

1.1 Accounting convention

The financial statements have been prepared in accordance with UK-adopted International Accounting Standards (IFRS) and the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

The financial statements are prepared in sterling, which is the functional currency of the group and the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below. These policies have been applied consistently to all the years presented, unless otherwise stated.

New standards not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2022 reporting period and have not been early adopted by the group. These standards are not expected to have a material impact on the group in the current or future reporting periods or on foreseeable future transactions.

1.2 Basis of consolidation

The consolidated group financial statements consist of the financial statements of the parent company together with all entities controlled by the parent company (its subsidiaries).

All financial statements are made up to 31 December 2022. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation.

Subsidiaries are consolidated in the group's financial statements from the date that control commences until the date that control ceases.

INTELLIGENT GROWTH SOLUTIONS LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

1.3 Going concern

The financial statements have been prepared on a going concern basis as the group is well funded, with flexibility within its financial framework to be sustainable and maintain liquidity in the long term.

The group prepares an annual budget and periodic cash flow forecasts. This enables the group to monitor and manage liquidity risk. The group does not have any debt or debt facilities and therefore has no financial covenants or obligations.

The group had cash and cash equivalents of £7,554,127 (2021: £26,585,879) at 31 December 2022.

In considering whether it is appropriate to prepare the financial statement upon a basis of going concern, the directors have considered the group's base case cash flow forecast to the end of 2024, therefore including the period of 12 months from the date of approval of the financial statements.

The directors have considered the principal risks to these cash flow projections in a sensitivity analysis, the most severe but plausible of which relates delays to deployments either due to customer financing, land acquisition and planning permission or superstructure construction, and have modelled a 3 month and 6 month deployment delay. The forecasts indicate that under these scenarios there are periods of negative liquidity, but the directors believe that there are sufficient levers at their disposal to address these in the appropriate time frames to remain cash positive. These include freezes, reductions or deferrals on discretionary operational and capital spend, and assessment on headcount requirements for critical activities, as well as other incremental project spend.

In light of this, the directors continue to adopt the going concern basis of accounting in preparing the group's financial statements.

1.4 Revenue

Revenue is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes.

Revenue is measured based on the consideration specified in a contract with a customer. The consideration represents the transaction price which is typically fixed and does not contain variable components. Transaction price is allocated between multiple performance obligations based on the prices indicated in a customer contract which represent stand-alone selling prices.

Revenue consists of the design and installation of growth towers, the maintenance of growth towers and other consulting services.

Revenue from the design and installation of growth towers are considered interdependent and are recognised as a single performance obligation and recognised over time. Revenue is calculated using the input method based on the the group's efforts to the satisfaction of a performance obligation. The group calculates costs incurred on a contract and excludes cost of the materials not delivered to customer's site. Revenue on uninstalled materials is recognised upon delivery to customer's site at an amount equal to cost.

Revenue from the maintenance of growth towers, licence fees and other professional services is recognised over the period of service or licence and measured using a time based method.

Contract assets represent consideration receivable from clients for goods or services transferred. Contract liabilities represent consideration received from clients in advance of work done. The group has applied practical expedients to recognise incremental costs of obtaining a contract as an expense and to not adjust the promised amount of consideration for the effects of a significant financing component if the entity expects, at contract inception, that the period between when the entity transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

INTELLIGENT GROWTH SOLUTIONS LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

1.5 Intangible assets other than goodwill

An intangible asset, which is an identifiable non-monetary asset without physical substance, is recognised to the extent that it is probable that the expected future economic benefits attributable to the asset will flow to the group and that its cost can be measured reliably. The asset is deemed to be identifiable when it is separable or when it arises from contractual or other legal rights.

Development costs are capitalised as an intangible asset only if the following conditions are met:

- 1) an asset is created that can be identified;
- 2) it is probable that the asset created will generate future economic benefits;
- 3) it is technically and commercially feasible;
- 4) sufficient resources are available to complete the development;
- 5) the directly attributable development costs of an asset can be measured reliably;
- 6) there is an intention and ability to complete an asset and use or sell it.

Where the criteria are not met, costs are recognised as an expense in the statement of comprehensive income in the period in which it is incurred.

Amortisation of intangible assets is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following basis:

Development costs	3 years straight line basis
-------------------	-----------------------------

1.6 Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Leasehold improvements	on a straight-line basis over the lease term
Plant and machinery	3-5 years straight-line basis
Right-of-use assets	on a straight-line basis over the lease term

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the statement of comprehensive income.

1.7 Non-current investments

Investments are stated at cost, less provision for any diminution in value.

1.8 Impairment of tangible and intangible assets

At each reporting end date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

INTELLIGENT GROWTH SOLUTIONS LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.9 Inventories

Inventories are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is determined using the weighted average cost basis.

Net realisable value is the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

1.10 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand and deposits held at call with banks. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

1.11 Financial assets

Financial assets are recognised in the group's statement of financial position when the group becomes party to the contractual provisions of the instrument.

Financial assets held at amortised cost

Financial instruments are classified as financial assets measured at amortised cost where the objective is to hold these assets in order to collect contractual cash flows, and the contractual cash flows are solely payments of principal and interest. They arise principally from the provision of goods and services to customers (eg trade receivables). They are initially recognised at fair value plus transaction costs directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment where necessary.

Impairment of financial assets

An impairment loss is recognised for the expected credit losses on financial assets when there is an increased probability that the counterparty will be unable to settle an instrument's contractual cash flows on the contractual due dates, a reduction in the amounts expected to be recovered, or both.

The probability of default and expected amounts recoverable are assessed using reasonable and supportable past and forward-looking information that is available without undue cost or effort. The expected credit loss is a probability-weighted amount determined from a range of outcomes and takes into account the time value of money.

INTELLIGENT GROWTH SOLUTIONS LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

1.12 Financial liabilities

Financial liabilities are recognised in the group's statement of financial position when the group becomes party to the contractual provisions of the instrument.

Financial liabilities held at amortised cost

Financial liabilities, including trade payables, convertible loans that do not contain equity element and other short-term monetary liabilities, are initially measured at fair value net of transaction costs directly attributable to the issuance of the financial liability. They are subsequently measured at amortised cost using the effective interest method. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the group's obligations are discharged, cancelled, or they expire.

1.13 Equity instruments

Equity instruments issued by the parent company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer payable at the discretion of the company.

1.14 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

1.15 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of inventories or non-current assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

1.16 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

INTELLIGENT GROWTH SOLUTIONS LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

1.17 Share-based payments

Equity-settled share-based payments are measured at fair value at the date of grant by reference to the fair value of the equity instruments granted using the Black-Scholes model. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the estimate of shares that will eventually vest. A corresponding adjustment is made to equity.

1.18 Leases

At inception, the group assesses whether a contract is, or contains, a lease within the scope of IFRS 16. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Where a tangible asset is acquired through a lease, the group recognises a right-of-use asset and a lease liability at the lease commencement date. Right-of-use assets are included within property, plant and equipment, apart from those that meet the definition of investment property.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date plus any initial direct costs and an estimate of the cost of obligations to dismantle, remove, refurbish or restore the underlying asset and the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of other property, plant and equipment. The right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are unpaid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the group's incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise fixed payments, variable lease payments that depend on an index or a rate, amounts expected to be payable under a residual value guarantee, and the cost of any options that the group is reasonably certain to exercise, such as the exercise price under a purchase option, lease payments in an optional renewal period, or penalties for early termination of a lease.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in: future lease payments arising from a change in an index or rate; the group's estimate of the amount expected to be payable under a residual value guarantee; or the group's assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The group has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less, or for leases of low-value assets (when the value of the underlying asset, if new, is £5,000 or less). The payments associated with these leases are recognised in profit or loss on a straight-line basis over the lease term.

When the group acts as a lessor, leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees, over the major part of the economic life of the asset. All other leases are classified as operating leases. Where the group is a manufacturer of the leased assets, revenue and a corresponding lease receivable are recognised at the commencement date and are equal to the lower of the present value of the lease payments discounted using a market rate of interest or the fair value of the underlying assets. Finance income is recognised on lease receivable over the lease term. Lease repayments are deducted from lease receivable balance.

INTELLIGENT GROWTH SOLUTIONS LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

1.19 Grants

Government grants are recognised when there is reasonable assurance that the grant conditions will be met and the grants will be received.

1.20 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

2 Critical accounting estimates and judgements

In the application of the group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are outlined below.

Measurement of lease liabilities

In determining the lease term the directors assess whether they are reasonably certain to exercise, or not to exercise, options to extend or terminate a lease. This assessment is made at the start of the lease and is reassessed if significant events or changes in circumstances occur that are within the lessee's control.

The directors applied a discount rate of 10% to all its leases, as it represented the group's incremental cost of borrowing at the date of inception of new lease contracts, the carrying amount of the lease liabilities is disclosed in note 18.

Share-based payment transactions

The group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments disclosed in note 21 would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Deferred tax asset recognition

No deferred tax asset has been recognised due to the uncertainty of the probability that taxable profit will be available against which the deductible temporary difference can be utilised. As at 31 December 2022 the amount of unused tax losses carried forward was £34,856,784 (2021: £17,084,436).

Impairment review

At each financial year end, the group assesses whether there is any indication that non-financial assets may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the group estimates the assets' recoverable amount. If the carrying amount is below recoverable amount, the group should recognise the impairment loss. As at 31 December 2022, no impairment of non-financial assets were recognised by the group.

INTELLIGENT GROWTH SOLUTIONS LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

3 Revenue

	2022 £	2021 £
Revenue analysed by class of business		
Design and installation of growth towers	3,780,636	637,106
Other services	144,267	65,855
	<u>3,924,903</u>	<u>702,961</u>
	<u>2022</u> £	<u>2021</u> £
Revenue analysed by geographical market		
United Kingdom	2,002,361	32,755
European Union	1,383,403	657,206
Rest of the world	539,139	13,000
	<u>3,924,903</u>	<u>702,961</u>

All revenue relates to revenue recognised over time. There are no break clauses therefore all revenue allocated to performance obligations that are unsatisfied or partly satisfied at the year end is expected to be recognised in the next financial year. This amount represents contract liabilities and is equal to the amounts in note 17. Contract assets relate to performance obligations partially satisfied but not yet invoiced.

Revenue that was included in the opening contract liability balance was fully recognised in the year.

Customers are required to transfer advance payments at a certain percentages of total fees indicated in the contracts upon order confirmation, submission of the designs and commencement of construction and installation of growth towers. This therefore creates contract liabilities to be recognised in the financial statements.

4 Operating loss

	2022 £	2021 £
Operating loss for the year is stated after charging/(crediting):		
Exchange gains	(1,316,703)	(236,831)
Research and development costs	446,204	989,288
Government grants	(193,168)	-
Fees payable to the company's auditors for the audit of the company's financial statements	39,000	29,000
Depreciation of property, plant and equipment	584,109	212,060
Loss on disposal of property, plant and equipment	662	-
Amortisation of intangible assets (included within administrative expenses)	1,318,171	878,781
Cost of inventories recognised as an expense	4,616,590	726,461
Share-based payments	1,748,085	1,625,194

Government grants income received during the year (2021: £nil) relates to the funds received for innovation and research activities. The grants were used towards the group's working capital costs and ongoing business in line with the cash flows. There were no unfulfilled conditions of the grant at the end of the year.

INTELLIGENT GROWTH SOLUTIONS LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

5 Employees

The average monthly number of persons (including directors) employed by the group during the year was:

	2022 Number	2021 Number
Customer delight	45	31
Great products	107	54
Functional excellence	18	9
Executive and administrative	6	5
Total	176	99

Their aggregate remuneration comprised:

	2022 £	2021 £
Wages and salaries	11,868,564	7,118,382
Social security costs	1,215,519	620,261
Pension costs	888,888	314,313
	13,972,971	8,052,956

6 Directors' remuneration

	2022 £	2021 £
Remuneration for qualifying services	360,496	303,958
Company pension contributions to defined contribution schemes	24,200	27,000
	384,696	330,958

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 1 (2021: 1).

The number of directors who exercised share options during the year was 0 (2021: 2).

Remuneration disclosed above includes the following amounts paid to the highest paid director:

	2022 £	2021 £
Remuneration for qualifying services	298,307	303,958
Company pension contributions to defined contribution schemes	24,200	27,000

INTELLIGENT GROWTH SOLUTIONS LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

7	Investment revenues		
		2022	2021
		£	£
	Interest income		
	Bank deposits	722	612
	Other interest income	2,423	-
		<u>3,145</u>	<u>612</u>
	Total interest revenue	<u><u>3,145</u></u>	<u><u>612</u></u>
8	Finance costs		
		2022	2021
		£	£
	Interest on convertible loan notes	-	86,676
	Interest on lease liabilities	113,761	39,156
	Other interest payable	1,240	6
		<u>115,001</u>	<u>125,838</u>
	Total interest expense	<u><u>115,001</u></u>	<u><u>125,838</u></u>
9	Income tax credit		
		2022	2021
		£	£
	Current tax		
	UK corporation tax on profits for the current period	(1,045,820)	(833,750)
	Adjustments in respect of prior periods	(66,436)	(548,147)
		<u>(1,112,256)</u>	<u>(1,381,897)</u>
	Total UK current tax	<u><u>(1,112,256)</u></u>	<u><u>(1,381,897)</u></u>
	Deferred tax		
	Origination and reversal of temporary differences	(111,426)	-
	Adjustment in respect of prior periods	11,028	-
		<u>(100,398)</u>	<u>-</u>
	Total tax (credit)	<u><u>(1,212,654)</u></u>	<u><u>(1,381,897)</u></u>

INTELLIGENT GROWTH SOLUTIONS LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

9 Income tax credit

(Continued)

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

	2022 £	2021 £
Loss before taxation	(21,410,635)	(13,567,354)
Expected tax credit based on a corporation tax rate of 19% (2021: 19%)	(4,068,021)	(2,577,797)
Effect of expenses not deductible in determining taxable profit	62,865	3,856
Adjustment in respect of prior years	(55,408)	(548,147)
Share based payment charge	332,136	(1,665,540)
Effect of overseas tax rates	(6,113)	-
R&D SME relief	(461,028)	(358,750)
Amounts not recognised	2,982,915	3,764,481
Taxation credit for the year	(1,212,654)	(1,381,897)

At the reporting date, the group had unused tax losses of £34,856,784 (2021: £17,084,436) available to offset against future profits. No deferred tax has been recognised due to no taxable income being foreseen.

10 Intangible assets

Group and company	Development costs £
Cost	
At 1 January 2021	3,081,800
Additions - internally generated	872,713
At 31 December 2021	3,954,513
At 31 December 2022	3,954,513

INTELLIGENT GROWTH SOLUTIONS LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

10 Intangible assets	(Continued)
Group and company	Development costs
Accumulated amortisation	
Charge for the year	878,781
At 31 December 2021	878,781
Charge for the year	1,318,171
At 31 December 2022	2,196,952
Carrying amount	
At 31 December 2022	1,757,561
At 31 December 2021	3,075,732
At 31 December 2020	3,081,800

Development costs relate to the development of growth towers and related technology. The amounts were capitalised from the date the criteria for capitalisation under IAS 38: Intangible Assets were satisfied to the date when the first growth tower was completed and accepted by the client. Amortisation has been charged on the asset from this point forward under a 3-year expected useful life. The remaining useful life was 1.3 years at 31 December 2022. No impairment was recognised during the year.

INTELLIGENT GROWTH SOLUTIONS LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

11 Property, plant and equipment

Group and company	Leasehold improvements	Plant and machinery	Right-of-use assets	Total
	£	£	£	£
Cost				
At 1 January 2021	20,086	296,495	47,811	364,392
Additions	486,527	251,034	1,137,089	1,874,650
Disposals	-	(1,266)	-	(1,266)
At 31 December 2021	506,613	546,263	1,184,900	2,237,776
Additions	1,006,060	373,297	259,206	1,638,563
Disposals	-	(3,087)	-	(3,087)
At 31 December 2022	1,512,673	916,473	1,444,106	3,873,252
Accumulated depreciation				
At 1 January 2021	284	90,188	7,451	97,923
Charge for the year	8,018	88,795	115,247	212,060
At 31 December 2021	8,302	178,983	122,698	309,983
Charge for the year	70,228	176,491	337,390	584,109
Eliminated on disposal	-	(403)	-	(403)
At 31 December 2022	78,530	355,071	460,088	893,689
Carrying amount				
At 31 December 2022	1,434,143	561,402	984,018	2,979,563
At 31 December 2021	498,311	367,280	1,062,202	1,927,793
At 31 December 2020	19,802	206,307	40,360	266,469

Right-of-use assets relate to the lease of land, office premises and industrial units.

12 Investments

	Group		Company	
	2022	2021	2022	2021
	£	£	£	£
Investments in subsidiaries	-	-	1	-
Other investments	50	50	50	50
	50	50	51	50

Other investments relate to a membership in a farming association that provides access to preferential rates on certain equipment.

Details of the company's principal operating subsidiaries are included in note 13.

INTELLIGENT GROWTH SOLUTIONS LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

12 Investments (Continued)

Movements in non-current investments

	Shares in group undertakings £	Other investments £	Total £
Cost or valuation			
At 1 January 2022	-	50	50
Additions	1	-	1
	<hr/>	<hr/>	<hr/>
At 31 December 2022	1	50	51
	<hr/>	<hr/>	<hr/>
Carrying amount			
At 31 December 2022	1	50	51
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 December 2021	-	50	50
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

13 Subsidiaries

Details of the company's subsidiaries at 31 December 2022 are as follows:

Name of undertaking	Registered office	Class of shares held	% Held Direct
Intelligent Growth Solutions Inc.	251 Little Falls Drive, Wilmington, New Castle, Delaware 19808, USA	Ordinary	100.00
Intelligent Growth Solutions Pte. Ltd.	160 Robinson Road, #14-04, Singapore, 068914	Ordinary	100.00

Principal activity of both subsidiaries is the research and development, productisation and supply of systems and services using science and technology, for industrial applications, principally in sustainable Controlled Environment Agriculture.

14 Inventories

Group and company	2022 £	2021 £
Raw materials	4,805,361	2,905,804
Work in progress	-	44,337
	<hr/>	<hr/>
	4,805,361	2,950,141
	<hr/> <hr/>	<hr/> <hr/>

INTELLIGENT GROWTH SOLUTIONS LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

15 Finance lease receivables

Group and company	2022 £	2021 £
Gross amounts receivable under finance leases:		
Two to three years	237,398	-
Unearned finance income	(21,295)	-
Net investment	<u>216,103</u>	<u>-</u>

Finance lease receivables are classified based on the amounts that are expected to be settled within the next 12 months and after more than 12 months from the reporting date, as follows:

	2022 £	2021 £
Non-current assets	216,103	-
	<u>216,103</u>	<u>-</u>

During the year, the group entered into a financial leasing arrangement with a customer for certain components of the growth towers (trays). The agreement covers multiple drawdowns and has a total expected term of 6.4 years. The title for the leased assets will pass to the customer once all the repayments on the contract are made. Repayments were allocated to each drawdown on a first in first out basis. A market rate of 7% was used to calculate present value of the drawdowns during the year.

The group has no allowance for doubtful debts in respect of finance lease receivables. These receivables are not past due and not impaired in the current and prior years.

16 Trade and other receivables

	Group		Company	
	2022 £	2021 £	2022 £	2021 £
Trade receivables	1,222,997	2,363,775	1,222,997	2,363,775
Contract assets	422,103	-	422,103	-
VAT recoverable	481,615	690,102	481,615	690,102
Amounts owed by subsidiary undertakings	-	-	650,781	-
Other receivables	74,208	51,258	74,208	51,258
Prepayments	818,947	274,158	818,947	274,158
	<u>3,019,870</u>	<u>3,379,293</u>	<u>3,670,651</u>	<u>3,379,293</u>

INTELLIGENT GROWTH SOLUTIONS LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

16 Trade and other receivables

(Continued)

All trade receivables recognised in the year are generated from contracts with customers. Standard credit terms for trade receivables are 30 days from invoice date, although certain credit terms are contract-specific. The directors consider that the carrying amount of trade and other receivables approximates to their fair value. No loss allowance (2021: £nil) has been recognised on trade receivables as none were in default at the year end. The nature of the majority of the group's revenues is such that they either receive payment in advance of the provision of service and / or are able to cease the provision of services in the event that agreed credit terms are not adhered to (which would be defined as a circumstance of default). This means the credit risk exposure of the group is low. As a result of the £nil loss allowance arising, the directors have concluded that no further disclosures of credit risk exposure under IFRS 7: Financial Instruments is required.

Contract assets relate to growth towers installed but not invoiced due to a final site testing pending.

Amounts owed by subsidiary undertakings are unsecured, interest free and repayable on demand.

17 Trade and other payables

Group and company	2022 £	2021 £
Trade payables	1,578,931	1,654,497
Contract liabilities	3,739,965	2,690,191
Accruals	1,580,232	810,748
Social security and other taxation	448,744	403,039
Other payables	75,000	-
	<u>7,422,872</u>	<u>5,558,475</u>

The directors consider that the carrying amount of trade and other payables approximates to their fair value.

Contract liabilities arise on the contracts for the design and installation of growth towers in advance of work being completed, where the expected term of the contract crosses the year end. All contract liabilities will be fulfilled within twelve months of the balance sheet date. The increase in the contract liabilities related to new contracts signed during the year.

Included within accruals is £130,686 (2021: £78,243) relating to pension commitments at the year end.

INTELLIGENT GROWTH SOLUTIONS LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

18 Lease liabilities

Group and company	2022 £	2021 £
Maturity analysis		
Within one year	428,632	317,979
In two to five years	599,900	728,257
In over five years	325,833	410,833
Total undiscounted liabilities	1,354,365	1,457,069
Future finance charges and other adjustments	(300,750)	(370,590)
Lease liabilities in the financial statements	1,053,615	1,086,479

Lease liabilities are classified based on the amounts that are expected to be settled within the next 12 months and after more than 12 months from the reporting date, as follows:

	2022 £	2021 £
Current liabilities	342,395	223,519
Non-current liabilities	711,220	862,960
	1,053,615	1,086,479

Amounts recognised in profit or loss include the following:	2022 £	2021 £
Interest on lease liabilities	113,761	39,156

The group capitalised expenses in relation to the following leases:

- Lease of office premises for a term of 3 years ending 30 June 2024 which will automatically extend for 1 year;
- Lease of land for a term of 10 years ending 31 May 2026 with an option to extend for 5 years;
- Lease of industrial units for a term of 10 years ending 22 October 2031 with an option to terminate in 5 years.

An incremental borrowing rate of 10% was used to calculate the present value of lease liabilities.

The total cash outflow for leases during the year was £405,831 (2021: £131,908). The group incurred expenses of £118,741 (2021: £109,943) in relation to short-term leases. At the year end the commitments in relation to short-term leases were £12,363 (2021: £1,538).

INTELLIGENT GROWTH SOLUTIONS LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

19 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the group and movements thereon during the current and prior years.

	Tax losses £
Deferred tax liability at 1 January 2021 and 1 January 2022	-
Deferred tax movements in current year	
Credit to profit or loss	(100,398)
Deferred tax asset at 31 December 2022	<u>(100,398)</u>

INTELLIGENT GROWTH SOLUTIONS LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

20 Financial risk management

Changes in liabilities arising from financing activities

The following table details the changes in the group's and the company's liabilities arising from financing activities.

	Borrowings £	Leases £	Total £
Liabilities as at 1 January 2021	2,413,445	42,142	2,455,587
New loans (financing cash flows)	1,935,414	-	1,935,414
New leases	-	1,137,089	1,137,089
Accrued interest	86,676	39,156	125,832
Loan repayments (financing cash flows)	(211,305)	-	(211,305)
Lease repayments	-	(131,908)	(131,908)
Conversion into shares	(4,224,230)	-	(4,224,230)
Liabilities as at 31 December 2021	<u>-</u>	<u>1,086,479</u>	<u>1,086,479</u>
New leases	-	259,206	259,206
Accrued interest	-	113,761	113,761
Lease repayments	-	(405,831)	(405,831)
Liabilities as at 31 December 2022	<u>-</u>	<u>1,053,615</u>	<u>1,053,615</u>

Financial instruments

	2022 £	2021 £
Financial assets measured at amortised cost - group		
Cash and cash equivalents	7,554,127	26,585,879
Trade receivables	1,222,997	2,363,775
Other receivables	74,208	51,258
Lease receivables	216,103	-
	<u>9,067,435</u>	<u>29,000,912</u>
Financial assets measured at amortised cost - company		
Cash and cash equivalents	7,554,127	26,585,879
Trade receivables	1,222,997	2,363,775
Contract assets	422,103	-
Amounts owed by subsidiary undertakings	650,781	-
Other receivables	74,208	51,258
Lease receivables	216,103	-
	<u>10,140,319</u>	<u>29,000,912</u>

INTELLIGENT GROWTH SOLUTIONS LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

20 Financial risk management

(Continued)

	2022 £	2021 £
Financial liabilities measured at amortised cost - group and company		
Trade payables	(1,578,931)	(1,654,497)
Accruals	(1,580,232)	(810,748)
Other payables	(75,000)	-
Lease liabilities	(1,053,615)	(1,086,479)
	<u>(4,287,778)</u>	<u>(3,551,724)</u>

The group's operations expose it to a number of financial risks including market risk (foreign currency risk and interest rate risk), credit risk and liquidity risk. The group manages these risks through an effective risk management programme which is coordinated by the Board of Directors.

Liquidity risk

The group closely monitors its access to bank and other credit facilities in comparison to its outstanding commitments on a regular basis to ensure that it has sufficient funds to meet the obligations as they fall due.

The Board receives regular debt management forecasts which estimate the cash inflows and outflows for the next twelve months, so that management can ensure that sufficient funding is in place as it is required.

Interest rate profile

The group has no interest bearing financial assets other than cash deposits of £81 (2021: £3,450,000) invested at an approximate rate of 0.19% (2021: 0.01%). The group funds are invested in deposit accounts with the objective of maintaining a balance between accessibility of funds and competitive rates of return.

During the prior year the group utilised convertible loan notes and other loans from directors to finance its development. Interest at the rates ranging from 7.5% to 10% was charged on those loans. At the year end, the group had no interest bearing borrowings (2021: none). Movement in group's borrowings is disclosed further below.

Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss for the group. Credit risk predominantly arises from trade receivables and cash and cash equivalents.

The group assesses the credit quality of each customer before accepting any terms of trade. Internal procedures are performed taking into account their financial position as well as their reputation within the industry and external credit ratings are obtained. The group operates a robust credit control system.

Cash and cash equivalents are held with large and stable financial institutions.

The group's maximum exposure to credit risk relating to its financial assets and financial liabilities is equal to their carrying value.

INTELLIGENT GROWTH SOLUTIONS LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

20 Financial risk management

(Continued)

Foreign currency risk

The group operates in a number of markets across the world and is exposed to foreign currency exchange risk arising from various currency exposures, in particular with respect to the US dollar and the Euro. The group is exposed to foreign currency risk arising from commercial transactions and recognised assets and liabilities which are denominated in a currency other than the group's functional currency. The Board monitors the exposure to foreign currency risk and at the year end date considered the risk to be £nil (2021: £nil) which relates to outstanding trade payables less outstanding trade receivables denominated in foreign currency. The group maintains bank accounts in foreign currency to mitigate this risk with the balance of £1,402,498 (2021: £13,017,965) at the year end. As a result of a partial natural hedge between the different currencies, the group is reasonably protected against currency fluctuations.

Maturity of financial assets and financial liabilities

The maturity profile of the group's financial liabilities as at 31 December 2022 and 31 December 2021 can be determined from notes 17 and 18.

The main financial assets are cash, accounts receivable and contract assets. Cash is held mainly in current accounts and short-term deposits.

The group would normally expect that sufficient cash is generated in the operating cycle to meet cash flows through effective cash management.

21 Share-based payment transactions

The group operates equity-settled share option schemes. Options vest only if the employee remains in employment with the group at the vesting date. The options lapse at the end of the day before the tenth anniversary of the grant date. There are several types of vesting conditions:

- a) 40% of options vest on the first anniversary of the grant date, 20% of options vest on the second anniversary of the grant date, 20% of options vest on the third anniversary of the grant date, 20% of options vest on the exit event;
- b) 30% of options vest on the first anniversary of the grant date, 15% of options vest on the second anniversary of the grant date, 15% of options vest on the third anniversary of the grant date, 40% of options vest on the exit event;
- c) 33% of options vest on the first anniversary of the grant date, 33% of options vest on the second anniversary of the grant date, 33% of options vest on the third anniversary of the grant date;
- d) 100% of options vest on the grant date;
- e) 100% of options vest on the exit date.

Options become exercisable upon vesting. Unvested options held by individuals who cease employment forfeit unless determined by the Board.

INTELLIGENT GROWTH SOLUTIONS LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

21 Share-based payment transactions

(Continued)

	Number of share options		Weighted average exercise price	
	2022	2021	2022 £	2021 £
Outstanding at 1 January 2022	1,173,531	627,698	7.72	4.00
Granted in the period	275,360	683,891	15.00	11.00
Forfeited in the period	(22,305)	(72,369)	9.58	4.51
Exercised in the period	(61,316)	(65,689)	4.00	9.86
Outstanding at 31 December 2022	<u>1,365,270</u>	<u>1,173,531</u>	<u>9.33</u>	<u>7.72</u>
Exercisable at 31 December 2022	<u>516,976</u>	<u>471,857</u>	<u>5.11</u>	<u>5.21</u>

The weighted average share price at the date of exercise for share options exercised during the year was £21.18 (2021: £21.18).

The options outstanding at 31 December 2022 had an exercise price ranging from £4 to £15 (2021: from 0.1p to £15), and a remaining contractual life of 8.01 years (2021: 8.49 years). The weighted average fair value of each option granted during the year was £24.08 (2021: £8.23).

The estimate of the grant date fair value of each option is based on the Black-Scholes model. The inputs into the Black-Scholes model are as follows:

	2022	2021
Weighted average share price	£33.09	£11.00
Weighted average exercise price	£15.00	£11.00
Expected volatility	60%	60%
Expected life	5 years	1-5 years
Risk free rate	4.36%	0.33-0.86%
Expected dividends	Nil	Nil

Expected volatility was determined by estimating the expected change in the share price of the company over the expected life of each option. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

During the year, the group recognised total share-based payment expenses of £1,748,085 (2021: £1,625,194). Service conditions are taken into account by adjusting the number of options expected to vest at each reporting date.

INTELLIGENT GROWTH SOLUTIONS LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

22 Share capital

	2022	2021	2022	2021
	Number	Number	£	£
Ordinary share capital				
<i>Issued and fully paid</i>				
Ordinary of 0.1p each	2,766,795	2,705,479	2,767	2,706
A Ordinary of 0.1p each	1,458,333	1,458,333	1,458	1,458
B Ordinary of 0.1p each	1,616,008	1,616,008	1,616	1,616
	<u>5,841,136</u>	<u>5,779,820</u>	<u>5,841</u>	<u>5,780</u>

Ordinary shares carry the right to vote and are entitled *pari passu* to dividend payments or any other distributions, including on winding up of the company.

Ordinary A and Ordinary B shares carry the right to vote and contain preferential dividend rights, including on winding up of the company.

Reconciliation of movements during the year:

	Ordinary Number	Ordinary A Number	Ordinary B Number
At 1 January 2021	2,624,149	1,458,333	-
Issue of fully paid shares	65,689	-	1,415,364
Conversion of loan notes	15,641	-	200,644
	<u>2,705,479</u>	<u>1,458,333</u>	<u>1,616,008</u>
At 1 January 2022	2,705,479	1,458,333	1,616,008
Issue of fully paid shares	61,316	-	-
	<u>2,766,795</u>	<u>1,458,333</u>	<u>1,616,008</u>
At 31 December 2022	<u>2,766,795</u>	<u>1,458,333</u>	<u>1,616,008</u>

During the year, the company incurred £500 (2021: £422,570) of share issue costs.

Share premium account

Consideration received for shares issued above their nominal value net of transaction costs.

Accumulated losses

Cumulative profit and loss net of distributions to owners, including the cumulative share-based payment expense.

INTELLIGENT GROWTH SOLUTIONS LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

23 Capital risk management

The group's capital management objectives are:

- to ensure the group's ability to continue as a going concern; and
- to provide an adequate return to shareholders by pricing products and services in a way that reflects the level of risk involved in providing these goods and services.

Management assesses the group's capital requirements in order to maintain an efficient overall financing structure appropriate to the stage of the business and in accordance with its business plan. In order to maintain or adjust the capital structure, the group may issue new shares to fund its ongoing research and development activities and business growth.

The group is funded principally by equity although convertible loans have been utilised during the review period of these financial statements. At the end of the financial year, no loans were outstanding (2021: none). The capital structure consists of equity, comprising issued share capital with different classes of shares and a share premium account. During the year, the value of equity has increased from £53,917,332 to £54,162,096 due to new shares issued.

The group is not subject to externally imposed capital requirements.

24 Related party transactions

Remuneration of key management personnel

The remuneration of key management personnel, including directors, is set out below in aggregate for each of the categories specified in IAS 24 *Related Party Disclosures*.

	2022	2021
	£	£
Short-term employee benefits	1,234,527	924,052
Post-employment benefits	117,866	75,664
Share-based payments	(82,163)	1,130,874
	<u>1,270,230</u>	<u>2,130,590</u>

Other information

During the prior year, £699,985 of unsecured loans were received from directors of the parent company. Interest of £18,233 was accrued on the loans. £512,789 of the loans were converted into shares of the parent company and £205,429 was repaid in cash. The balance outstanding at the year end in respect of these loans was nil (2021: nil).

During the year no (2021: 152,497) share options were granted to the directors of the parent company. No options were exercised by the directors of the parent company during the year (2021: 40,336).

INTELLIGENT GROWTH SOLUTIONS LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

25 Cash absorbed by operations - group

	2022	2021
	£	£
Loss for the year after tax	(20,197,981)	(12,185,457)
Adjustments for:		
Taxation credited	(1,212,654)	(1,381,897)
Finance costs	115,001	125,838
Investment income	(3,145)	(612)
Loss on disposal of property, plant and equipment	662	-
Amortisation of intangible assets	1,318,171	878,781
Depreciation of property, plant and equipment	584,109	212,060
Foreign exchange gains on cash equivalents	(1,198,241)	(244,545)
Equity settled share based payment expense	1,748,085	1,625,194
Movements in working capital:		
Increase in inventories	(1,855,220)	(2,432,217)
Increase in contract assets	(422,103)	-
Decrease/(increase) in trade and other receivables	359,359	(2,481,372)
Increase in contract liabilities	1,049,774	2,400,746
Increase in trade and other payables	1,023,110	658,758
Cash absorbed by operations	<u>(18,691,073)</u>	<u>(12,824,723)</u>

26 Cash absorbed by operations - company

	2022	2021
	£	£
Loss for the year after tax	(19,647,597)	(12,185,457)
Adjustments for:		
Taxation credited	(1,112,256)	(1,381,897)
Finance costs	115,001	125,838
Investment income	(3,145)	(612)
Loss on disposal of property, plant and equipment	662	-
Amortisation of intangible assets	1,318,171	878,781
Depreciation of property, plant and equipment	584,109	212,060
Foreign exchange gains on cash equivalents	(1,198,241)	(244,545)
Equity settled share based payment expense	1,748,085	1,625,194
Movements in working capital:		
Increase in inventories	(1,855,220)	(2,432,217)
Increase in contract assets	(422,103)	-
Increase in trade and other receivables	(291,423)	(2,481,372)
Increase in contract liabilities	1,049,774	2,400,746
Increase in trade and other payables	1,023,110	658,758
Cash absorbed by operations	<u>(18,691,073)</u>	<u>(12,824,723)</u>