

Itaconix plc  
Annual Report & Accounts 2019



## Year in Review

Chief Executive Officer's Statement  
Strategic Report

## Governance

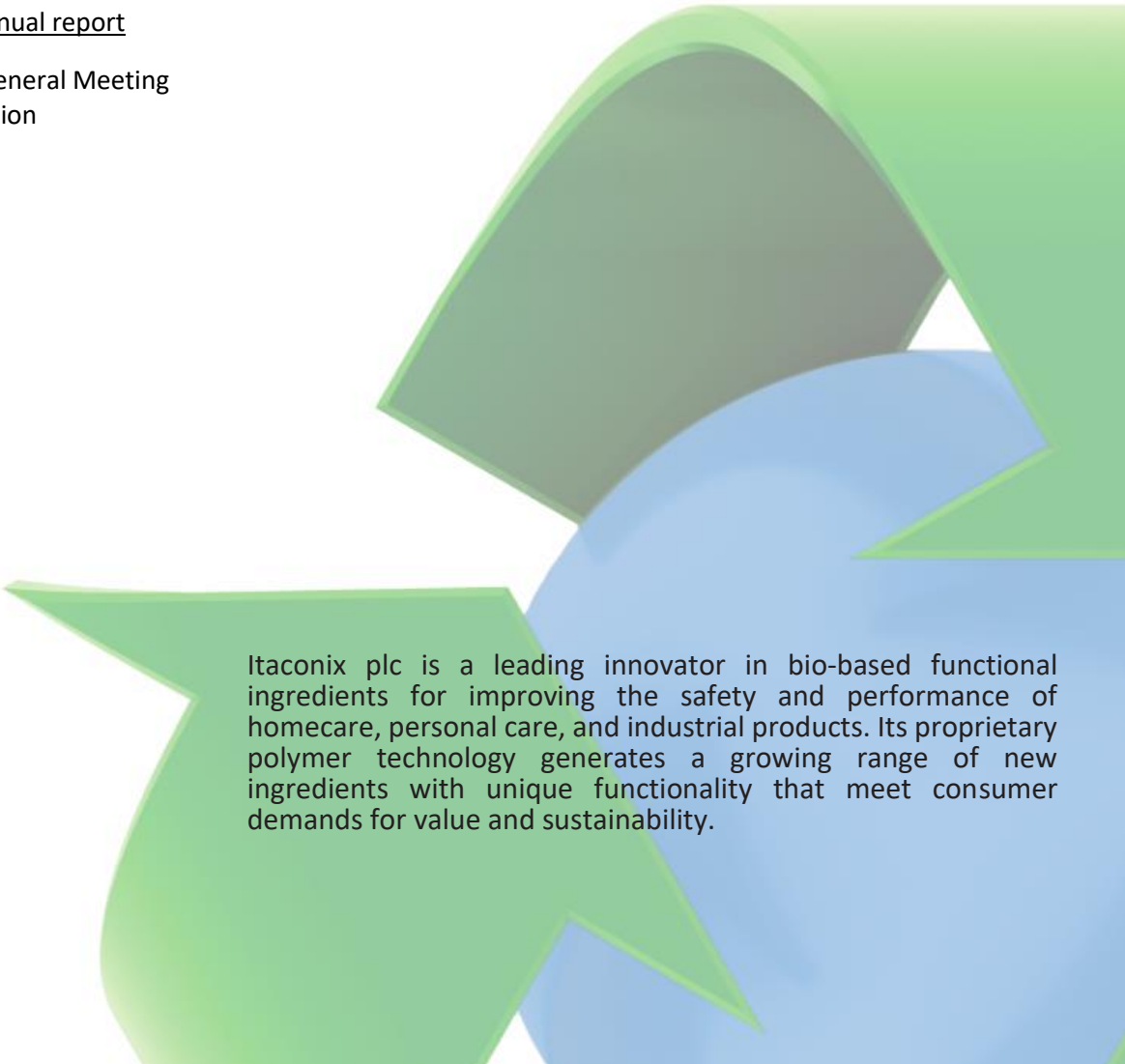
Board of Directors  
Corporate Governance Report  
Directors' Remuneration Report  
Audit Committee Report  
Directors' Report  
Statement of Directors' Responsibilities

## Financial Statements

Independent Auditor's Report  
Consolidated Income Statement  
Consolidated Statement of Other Comprehensive Income  
Consolidated and Company Balance Sheets  
Consolidated and Company Statements of Change in Equity  
Consolidated and Company Statements of Cash Flows  
Notes to Financial Statements

## Appendix to the annual report

Notice of Annual General Meeting  
Corporate Information



Itaconix plc is a leading innovator in bio-based functional ingredients for improving the safety and performance of homecare, personal care, and industrial products. Its proprietary polymer technology generates a growing range of new ingredients with unique functionality that meet consumer demands for value and sustainability.

## Polymers for Better Living™

Our sustainable polymers can make the world a better and safer place to live as essential ingredients in the next generation of consumer products. The composition of our polymers, the way we produce them, how they are used as ingredients in consumer product formulas, and how these formulas are packaged and delivered to consumers can reduce the depletion of natural resources, increase the use of safer chemicals, and reduce the release of chemicals into the environment.

Consumers are increasingly aware of the role that their purchases may have on the environment, natural resource use, and climate. New buying behaviours, regulations, and product certifications emerging from this growing awareness are driving consumer product companies to respond and formulate new products or reformulate existing products. Our sustainable polymers allow product and brand managers to meet new customer needs in a growing range of home and personal care products.

Our bio-based polymers reduce the depletion of natural resources by replacing petroleum-based chemicals as ingredients in consumer products, by using energy-efficient production, and by enabling more concentrated consumer products that require less chemicals and less packaging.

Most importantly, the renewable carbon in the composition of our polymers is captured by plants from carbon dioxide in the air. The plants use the carbon dioxide to produce sugars that are fed to microorganisms to yield the itaconic acid we use to make our polymers. When one of our products replaces the function of a petroleum-based ingredient in a formulation, the circular process of capturing and reusing carbon dioxide in the air displaces fossil-based carbon.

With Polymers for Better Living™, Itaconix meets the demands of new formulations with the transformative potential of sustainable ingredients from renewable sources.

## Commercial Progress

From detergents to shampoos, our polymers are validated as disruptive ingredients in a new generation of everyday products that have the performance, cost, and sustainability to meet emerging consumer demands. The expanding foundation of formulations is building a strong base of recurring use and orders to accelerate Itaconix's commercial momentum and revenue growth.

Our product revenues grew by 46.2% to \$1.3m in 2019 from \$0.9m in 2018 from steady progress on a strong customer base to build from into 2020. Financial details on the operating losses and going concern related to our commercial progress are detailed on page 7 and page 24, respectively.

Our growth in 2019 was led by advances in the use of our polymers in non-phosphate detergents in North America and Europe, particularly in automatic dishwashing applications. In North America, increased use in detergent brands found our polymers in more products at major, discount, and ecommerce retailers. In May 2019, we announced our first order for use of Itaconix® CHT™ 122 in European detergents.

We entered 2020 with further progress in our revenue potential in non-phosphate detergents. In January 2020, we launched our new Itaconix® TSI™ 322 detergent polymer that offers further value in detergents and received a patent on novel automatic dish detergents to protect our intellectual property until at least 2037. In February 2020, we announced a new agreement with New Wave Global Services, a leading Canadian supplier of innovative detergents to North American retailers, to supply up to 1 million lbs of our detergent polymers through 2021 to meet growing volumes for its detergents from existing and new customers.

In Personal Care, we expanded our global sales effort by transitioning from the direct sale of our RevCare NE100S product to supplying the polymer for Nouryon to market globally as Amaze™ SP within its world leading hair styling polymer product line. With the first order delivered to Nouryon in June 2019, the polymer is gaining greater awareness and adoption as a bio-based ingredient with excellent curl retention, volumising, and frizz control performance.

In odour control, we expanded our supply agreement with Croda and the market potential for our odour control technology with the introduction of ZINADOR™ 35L. While demand for the current ZINADOR™ 22L continues to grow, the new polymer offers performance and cost advantages that create broader opportunities in home care

and hygiene applications.

In May, June, and July 2020, we announced continued commercial progress in demand for our polymers, reflecting additional recognition and use of our polymers in a new generation of consumer products.

We completed our transition to a sustainable specialty ingredient company in May 2019 with the sale of our minority interest in Alkalon A/S, a Danish nicotine gum company, for \$0.3m in cash. (See Note 13)

## Profitability

We made major steps towards profitability with Net Losses decreasing to \$1.4m in 2019 from \$9.9m in 2018 based on the positive effects of increased product volumes and the restructuring of operations in 2018.

The higher product volumes increased gross profit margins to 34.9% in 2019 from 15.9% in 2018 to generate Gross Profits of \$0.45m in 2019 compared to \$0.14m in 2018.

Decreases in operating expenses from the restructuring of operations reduced Losses before Interest, Tax and Non-Cash Items to \$2.8m from \$6.8m in 2018.

## Funding

As we progress in developing our commercial base and achieving our strategic growth plans, we rely on access to additional funding to meet our working capital requirements, as set out in Note 3 to the financial statements.

Cash at the end of 2019 was \$0.8m, down from \$2.7m at the end of 2018.

In July 2020, we completed a new placement of ordinary shares with gross proceeds of \$2.2m, as detailed in Note 28 of the financial statements.

## Covid-19

The Group has maintained operations as an essential business throughout the Covid-19 pandemic. Efforts to conserve available cash were taken in March 2020 until the new funding in July 2020. While some customer formulation activities have slowed, the surge in demand for household detergents has significantly increased order volumes for the Group's detergent polymers. Effective customer engagement has continued without travel through adaptation and innovation in customer communication and engagement.

In May 2020, the Group's US subsidiary received a \$0.2m loan through the US Paychecks Protection Program to support its operations and employees during the Covid-19 pandemic, as further detailed in Note 28 of the financial statements.

## People

Effective September 2019, Laura Denner was promoted from Group Director, Finance and Operations to Chief Financial Officer. I appreciate the efforts of our former Interim Chief Financial Officer Michael Norris in managing and facilitating this transition.

I wish to thank our former Non-Executive Director, Mike Townend, for his guidance and valuable contributions from the Group's earliest days through becoming a leading innovator in sustainable specialty ingredients.

Further details of the development of the Executive Team and Board of Directors in 2019 are detailed on page 12.

As of February 2019, the Group completed the closing of its former headquarters and operations in Deeside, Wales and had no employees at the facility. As of September 2020, the Group completed the surrender of its lease for the facility.

## Share Trading

Itaconix shares commenced cross-trading publicly on the US OTCQB Market under the symbol ITXXF on 18 December 2019. Cross-trading on the OTCQB Market simplifies the trading process for US investors, enabling them to trade in the Group's shares on the AIM Market, in US dollars and during US trading hours.

Shareholders at the 2019 AGM authorized the Board to undertake a 50:1 share consolidation subject to certain share trading conditions. The Board did not pursue this consolidation and is not seeking to renew the authorisation at the 2020 AGM.

## **Shareholder Engagement**

The Notice of Annual General Meeting ("AGM") that accompanies the Annual Report sets out the business for our forthcoming AGM on 23 October 2020. I encourage all shareholders to cast votes by proxy either via mail or electronically by 21 October 2020. Due to Covid-19, we cannot have shareholders attend the meeting in person, but we will have an open-access corporate presentation immediately following the AGM.

John R. Shaw  
Chief Executive Officer

29 September 2020

## Principal Activities

Itaconix plc is a leading innovator in bio-based functional ingredients for improving the safety and performance of homecare, personal care, and industrial products. Its proprietary polymer technology generates a growing range of new ingredients with unique functionalities that meet consumer demands for value and sustainability.

The principal activities of the Group are the production and sale of proprietary specialty polymers that meet significant customer needs, with a strategy of direct selling efforts to establish initial use of new polymers, and then partner development to scale global demand.

Most of the Group's efforts are focused on homecare and personal care applications where consumer interest and desires for safer and more sustainable products are particularly high.

## Proprietary Ingredients with Unique Functionality

The Group has completed many years of exploratory research and holds an extensive patent portfolio related to the production and use of polymers made from itaconic acid. The commercial potential for these ingredients stems from the unique functionalities available through the chemical structure of itaconic acid and its derived polymers, and from the bio-based production of itaconic acid through fermentation using renewable sugar sources.

Building on the Group's process of identifying a market need and then developing a product to meet that need, initial products from its itaconate chemistry platform have commercial momentum in non-phosphate detergents, odour control, and hair styling. As these products generate more revenues, Itaconix expects to identify more opportunities for additional new products within its itaconate chemistry platform.

## Progress in 2019

The Group advanced its research and commercial activities in its core product areas through its own efforts and commercial collaborations with Nouryon and Croda, as detailed in the Chief Executive Officer's Statement. Most notable was the increase in non-phosphate detergent sales, which drove significant growth in top line revenues. The Group is well positioned for growth in the coming years.

The focus on revenue growth and costs control in 2019 has progressed the Group towards its goals of reducing cash use and reaching profitability sooner. The Group's efforts during the year to eliminate the remaining costs from the UK facility and the nicotine gum business (Alkalon) will continue to streamline the business in the near term.

## Board and Executive Changes

There were continued developments to the Executive Team and Board of Directors in 2019.

Mike Townend stepped down as a Non-Executive Director in May 2019.

Michael Norris stepped down as Interim Chief Financial Officer in August 2019.

Laura Denner was appointed as Chief Financial Officer and Company Secretary in September 2019.

## Financial Review

### Results and Dividends

The Group results are stated in the Consolidated Income Statement on page 31 and are reviewed below. The Directors do not recommend the payment of a dividend (2018: nil).

### Financial Performance

#### *Revenue*

Total revenues for the 12-month period ended 31 December 2019 were \$1.3m, representing a 46.2% increase over 2018 revenues of \$0.9m. Revenues grew primarily from increased demand for the Group's detergent and personal care products.

### *Gross Profit and Loss after Tax*

Gross profit margins have improved as expected due to increased plant utilization and a reduced overhead cost structure. As the Group continued to focus efforts on fulfilment and commercialisation of the current itaconate polymer technologies, gross profit increased from \$140k in 2018 to \$450k in 2019, an increase of 221.4%. Gross profit margin more than doubled from 15.9% in 2018 to 34.9% in 2019.

The Operating Loss before Exceptional Items decreased from \$5.7m 2018 to \$2.9m for 2019, based heavily on administrative expenses declining from \$5.9m in 2018 to \$3.4m in 2019. This 42.9% decrease derived mainly from the full-year realization of the reorganization of the Group in 2018, consolidating all research and administrative activities into the New Hampshire, USA operations.

### *Costs and Available Cash*

The Group's increasing revenues and overall cost reductions resulted in Net Cash Outflow from Operations of \$1.8m, which represents a significant decrease from 2018 when Net Cash Outflow from Operations was \$7.0m. As at 31 December 2019, the Group held cash of \$0.8m. These reduction in cash flows were partially offset by proceeds of \$0.3m from the sale of the Group's minority interest in Alkalon. Subsequent to the year end, the Group completed a fund raise of \$2.2m and received \$0.2m from the US Government Paycheck Protection Program.

### *Financial Position*

At 31 December 2019, the Group had equity of (\$1.0m) as compared to \$0.3m in 2018, this was due to significant unwinding of the deferred consideration (Note 19) net of stronger operating results.

As required under IFRS 16, the Group recognized a right-of-use asset and a lease liability of \$1.4m on implementation of the new accounting standard on 1 January 2019. Included in the calculation was a lease extension, executed in 2019 that extends the lease of the Group's primary operating facility and headquarters by 5 years. In respect of the Group's former headquarters in the UK, the group has applied practical expedient to retain the IAS 17 valuation of this onerous lease of \$0.3m, this being set off against the right-of-use asset at 1 January 2019. See Note 21.

Inventory increased from \$0.4m to \$0.5m in 2019 to support increased growth in customer demand.

### **Revaluation of Deferred Consideration**

As a result of revaluing deferred consideration with respect to the acquisition of Itaconix Corporation in 2016, as per Note 19, there is an exceptional non-cash income of \$1.5m in 2019, which offset the exceptional non-cash expense of \$3.3m (excluding foreign exchange) from 2018 that resulted from the renegotiated terms of the deferred consideration as part of the 2018 fundraise.

### **Financial Reporting**

In the financial year commencing 1 January 2019, the Group changed the reporting currency from the UK Sterling to the US Dollar and applied a new accounting standard for leases (IFRS 16).

#### *Change in Group's reporting currency*

In this period, the Directors decided to change the reporting currency due to the growing exposure to the US dollar in our operating activities, including the majority of customer transactions, raw material purchases, payroll, and operating expenses.

#### *IFRS 16 "Leases"*

The Group adopted IFRS 16: Leases and has replaced IAS 17: Leases. The Group has elected to apply the modified retrospective method. Following the adoption of IFRS 16, right-of-use assets of \$1.1m and lease liabilities of \$1.4m were recognized at the date of transition. Lease costs have been replaced by depreciation of the right-of-use asset and interest arising on the lease liability in this reporting period. See Note 21.

## Key Performance Indicators (KPI's)

The Group considers its three key performance indicators to be:

- Revenue
- Profits before interest, taxes, and non-cash expenses
- Cash

The Directors believe that revenue and profits are KPI's in measuring Group performance. The Group seeks to commercialise its existing and new technologies, and generate revenues from a growing number of commercial agreements with users of the products. Revenue performance is detailed in the Chief Executive Officer's Statement on pages 3 to 5.

The Directors believe that a further important performance measure is the Group's rate of cash expenditure and its effect on cash resources. Net cash outflow for the period to 31 December 2019 was \$1.9m (2018: \$2.2m). Further details of cash flows in 2019 (and 2018) are set out in the Group's Consolidated Cash Flow Statement on page 37.

## Going Concern

The financial statements have been prepared on a going concern basis. The Directors have reviewed the Company's and the Group's going concern position taking account its current business activities, budgeted performance and the factors likely to affect its future development, set out in the Annual Report, and including the Group's objectives, policies and processes for managing its working capital, its financial risk management objectives and its exposure to credit and liquidity risks.

The Directors have also taken into consideration the impact of the Covid-19 pandemic on the Group's revenues and supply chain. While there has not been a negative impact through the report date on the Group revenues or supply chain due to the pandemic, the Directors have applied sensitivities to the timing, quantum, and growth of new customer projects in revenue models and have assessed alternate supply chains that have been developed by the Group to mitigate any issues to our customers.

As further detailed in the Directors' Report on page 24 and note 3 to the Financial Statements, the Directors have reviewed the Group's cash flow forecasts covering a period of at least 12 months from the date of approval of the financial statements, which foresee that the Group will be able to meet its liabilities as they fall due. However, the success of the business is dependent on customer adoption of our products in order to increase revenue and profit growth. Inability to deliver this could result in the requirement to raise additional funds. Subsequent to year end, the Group successfully raised funds of \$2,246k.

## Shareholdings and Earnings per Share

Itaconix had 269,130,071 shares in issue as at 31 December 2019. The undiluted weighted average number of shares for the period to 31 December 2019 was 269,130,071. The undiluted weighted average number of shares was used to calculate the loss per share presented in Note 11.

## Principal Risks and Uncertainties

### Commercialisation Activities

Significant progress was made in 2019 toward achieving profitability by increasing revenues and reducing costs. Ultimately, it is uncertain whether the success of Itaconix products will be in sufficient quantities for the Group to generate an overall profit.

Management of risk: The Group has sought to manage this commercialisation risk by partnering with market leaders for the worldwide promotion of our leading products, continued development of end-user formulas to provide customers with packaged solutions, and continuous review of the market needs for Itaconix products.



**Dependence on Key Personnel**

The Group depends on its ability to attract and retain a limited number of highly qualified managerial and scientific personnel, the competition for whom is intense. While the Group has conventional employment arrangements with key personnel aimed at securing their services for minimum terms, their retention cannot be guaranteed.

Management of risk: The Group has a share incentive agreement as disclosed in Note 24, and service contracts in place for John R. Shaw as Chief Executive Officer and Dr. Yvon Durant as Chief Technology Officer. In addition, the Group use an Equity Incentive Plan for share option grants to other key personnel at its New Hampshire, US operations.

**Customer Retention**

The ability to retain key customers is critical to maintaining revenue streams. The loss of key customers could impact business results adversely.

Management of risk: Acceptance of our products in our customers' end-product formulations is closely monitored and managed. Our customer service includes regular engagement on the performance of both our products and the end-products to ensure our ingredients are delivering the desired value to our customers and end-users.

**Regulatory and Legislation**

Regulatory bans on the use of phosphates as ingredients in detergents have transformed the consumer detergent markets in Europe and North America over the last ten years. Phosphates are known to enter waterways through detergent effluent and act as a nutrient for algae growth that subsequently cuts oxygen levels in water and harms aquatic life. We believe that phosphates are likely to be phased out in other jurisdictions around the world over time. Itaconix polymers can act as effective replacements for phosphates in detergent formulations and are used in numerous detergent products in North America and Europe for this purpose.

Management of risk: The Group closely monitors regulatory developments in the use of ingredients in consumer and industrial products to assure compliance and find new revenue potential for Itaconix polymers. Further, the Group regularly assesses the relative performance and cost efficacy of Itaconix polymers to current and emerging phosphate replacements to identify revenue risks and opportunities.

**Competition and Technology**

The production and use of Itaconix polymers are subject to technological change over time. There can be no assurance that developments by others will not render the Group's product offerings and research activities obsolete or otherwise uncompetitive.

Management of risk: The Group employs experienced and highly-trained polymer chemists to develop and protect the Group's intellectual property. These efforts include continuous work on the performance and cost advantages of Itaconix polymers. In addition, the staff monitors technologies and patents through publications, scientific conferences, and collaborations with other organisations to identify new risks and opportunities.

**Covid-19 Risk**

The Group faces potential disruption to the demand for its products, operations of its production facility, and supply of raw materials due to the Covid-19 pandemic.

Management of risk: The Group has not experienced any significant disruptions to date. The US operations are designated as an "essential business" for continued operations under any government orders. Management closely monitors Covid-19 regulatory developments, expected demand from customers, and the reliability of its raw materials supply chain.

**Liquidity Risk**

Itaconix seeks to manage financial risk by ensuring adequate liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. In July 2020, subsequent to year end, the Group completed a \$2.2m fundraise to support working capital and revenue growth. In addition, short-term flexibility is achieved by holding significant cash balances in Itaconix's functional currencies, notably UK Sterling and US Dollars.

**Credit Risk**

The principal credit risk for Itaconix arises from its trade receivables. To manage credit risk, new customers are subject to credit review and all customer accounts are regularly reviewed for debt aging and collection history. As at 31 December 2019, there were no significant credit risk balances.

**Foreign Exchange Risk**

Itaconix has operations in the UK and US, and trades with customers internationally. Revenue and costs are exposed to variations in exchange rates and therefore reported losses. In 2019, the Group elected to convert the reporting currency from UK Sterling to US Dollars. The US Dollar transactions represent a significant portion of the functional currency transactions and therefore reduces the Group's overall exposure to translation exchange risk.

**Government Risk**

The Group has potential exposure to government activities related to Covid-19, Brexit, and US-China trade relations. Risks related to Covid-19 are detailed above.

The Group has potential risks under Brexit to lack of alignment in chemical regulations that may emerge over time between the UK and the European Community.

US trade tariffs with China have caused increases to certain raw material costs and may continue to create volatility. These increases have not caused any major issues with profitability to date. Itaconix has assessed alternative supply sourcing from India and other countries which are not affected by increased tariffs. However, if an alternate supply is not available the Group is prepared to pass cost increases through to customers if needed.

**Statement of Compliance with Section 172 of the Companies Act 2006**

The Directors are required to include a separate statement in the annual report that explains how they have considered broader stakeholder needs when performing their duty under Section 172(1) of the Companies Act 2006. This duty requires that a director of a company must act in the way he or she considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

- the likely consequences of any decision in the long term;
- the interests of the company's employees;
- the need to foster the company's business relationships with suppliers, customers, and others;
- the impact of the company's operations on the community and the environment;
- the desirability of the company to maintain a reputation for high standards of business conduct; and
- the need to act fairly between members of the company.

In connection with its statement, the Board describes in general terms how key stakeholders, as well as issues relevant to key decisions are identified, and also the processes for engaging with key stakeholders including employees and suppliers, and understanding those issues. It is the board's view that these requirements are predominantly addressed in the corporate governance disclosures we have made in the directors' report, which are themselves discussed more extensively on the company's website.

A more detailed description is limited to matters that are of strategic importance in order to remain meaningful and informative for shareholders. The Board believes that four decisions taken during the year fall into this category, and engaged with internal and external stakeholders on these decisions:

- Change in reporting currency – The decision to change the Group's reporting currency mitigates the effects of translating the reporting currency from the functional currency. As approximately 90% of the Group's activities are transacted in the US Dollar, this presentation will be beneficial to shareholders, suppliers, and customers as it eliminates the need for consideration of hedging or translation differences.
- Sale of Alkalon – The Group sold its minority holding in the nicotine gum business during the year. The decision to sell the Group's investment in Alkalon concludes a 2016 divestment in the Group's gum technology. This decision allows the Group to focus on its itaconate polymers and reduce

potential exposure to contingent liabilities that existed as part of the agreement in the sale of this technology. This will benefit shareholders as all resources are now committed to the Group's primary business of itaconate products.

- Listing on OTCQB Market – As discussed in the Chief Executive's Statement, the cross-listing of the Company's stock on the OTCQB Market provides additional access to the US equity market that has developed as the US investor base continues to grow. Shareholders in the US were historically limited in their ability to trade shares on the AIM market without a UK broker. Cross trading on the US OTCQB market allows the US shareholders direct access to real time trading.
- 2020 Fundraise – The Directors, along with the Group's NOMAD and broker, assessed the market for its appetite to support the Group's fundraising efforts. Strategy and work were completed to launch a fundraise in early 2020 - this was determined to be the optimal time to execute a fundraise as the 2019 revenue numbers reflected the growth in polymer sales that shareholders were expecting. These efforts in March 2020 were unsuccessful due to the impact of Covid-19 on the London Stock Market. The fundraise was completed in July 2020.

This report was approved by the Board of Directors on 29 September 2020 and signed on behalf of the Board of Directors by:

James Barber  
Chairman

John R. Shaw  
Chief Executive Officer



***Dr. James ("Jim") Joseph Barber (aged 66) – Independent Non-Executive Chairman***

Jim joined the Board on 12 September 2016 and became Chairman on 21 December 2018. Since 2007 he has run his own business consultancy practice Barber Advisors LLC. Prior to this, Jim served as President and CEO of Metabolix, Inc. from January 2000 to May 2007, leading the transformation of Metabolix from a research boutique to a world renowned, highly regarded leader in "clean tech" and industrial biotechnology, with a market cap of over \$500m. Prior to joining Metabolix, he had senior commercial roles at the Organometallics and Catalysts business of Albemarle Corporation, Ethyl Corporation, and a number of other chemicals businesses. Jim is a non-executive director of Graham Corporation. He has a BS degree in Chemistry from Rensselaer Polytechnic Institute and a PhD in Organic Chemistry from the Massachusetts Institute of Technology.



***John Roger Shaw (aged 61) – Chief Executive Officer***

John joined the Board on 12 July 2018, when he assumed the role of Chief Executive Officer. As a founder, John has driven the direction and growth of Itaconix Corporation since 2008. He has over 25 years of experience in senior management roles in the pharmaceutical, biomedical, and specialty chemical sectors and brings significant marketing, strategy, and business management expertise along with a broad technical understanding to Itaconix's management team. John began his career holding a number of increasingly senior roles at SmithKline Beecham, Westaim, and Mitek Systems, Inc. He has a BA in Economics from Pomona College and an MBA from Harvard Business School.



***Dr Bryan Crawford Dobson (aged 67) – Independent Non-Executive Director***

Bryan joined the Board on 13 September 2012. He has more than 30 years' experience in the chemicals industry: 28 years with ICI and 5 years with the Croda Group, where he was most recently President Global Operations for Croda International. He was a member of the executive management teams in Croda and in a number of large specialty chemicals businesses in ICI, and has extensive management experience running regional and global business units in the UK, US, Belgium, and The Netherlands. He also has expertise in developing new business in the specialty chemicals sectors; extensive functional experience in R&D and operations, and significant M&A experience. He is also currently Non-Executive Chairman of Applied Graphene Materials Plc.



***John Ingalls Snow III (aged 60) – Independent Non-Executive Director***

John joined the Board and became Audit Committee Chair on 2 October 2018. He has 30 years’ experience in the private equity market. He is currently a Managing Director at Quabbin Capital, Inc., a Boston based alternative investment firm. John is a non-executive director of Upper Crust Holdings, LLC, Winchester Savings Bank, Advanced Duplication Services, YMCA Camp Belknap, Endowment for Health, and Mary Snow Designs, Incorporated. He has a BA in Economics from Amherst College and an MS in Accounting from New York University. John is a Chartered Financial Analyst and a non-practicing Certified Public Accountant.

The Board is committed to ensuring that the Group has the people, strategy, and structure to deliver value to customers and shareholders in the near and long term. We recognise that effective corporate governance is essential to meeting this commitment and fundamental to the success of the Group.

Solid corporate governance starts with the calibre and talents of the Directors. Biographies of the Directors are presented on page 12 and 13 in this Annual Report and reveal a range of relevant experience that brings a high level of independent judgement to Itaconix's business.

Under AIM Rule 26, AIM-quoted companies are required to adopt and give details of the corporate governance code which they have adopted and to show how they are following it. Of the recognised codes generally adhered to by AIM companies, the Quoted Companies Alliance's (QCA) Corporate Governance Code for small and mid-size quoted companies (the "QCA Code") was drafted with smaller businesses using a pragmatic and principles-based approach. The Board deemed the QCA Code as the most suitable for the Group and adopted it with effect from 29 September 2018.

As Chair, I am responsible for leading the overall effectiveness of the Board, for ensuring that the Board maintains effective corporate governance processes, and for promoting open communication and debate within the Board and across the Group to foster a positive governance culture. I am pleased with the continued application of the QCA Code and the Company's approach to complying with the QCA Code which is set out below.

### **Compliance with the Quoted Companies Alliance Corporate Governance Code**

The QCA Code identifies ten principles that focus on the pursuit of medium- to long-term value for shareholders without stifling entrepreneurial spirit. Itaconix's adoption of the QCA principles is summarised below. Further details are available on our website.

#### **1. Establish a strategy and business model which promote long-term value for shareholders**

Over the last ten years, Itaconix developed a polymer technology platform for producing specialty ingredients from renewable resources. The Group uses its novel chemistries to create new ingredients with unique functionality that create value and meet customer needs in homecare, personal care, and industrial products. We utilise direct sales efforts to acquire initial customers and confirm the value for a new product, then scale globally with appropriate marketing partners. The long-term revenue and profit potential of each new product relative to its near-term development cost can generate many years of attractive returns and shareholder value. Our near-term strategy is to balance aggressive sustained product innovation from our polymer technology platform with a focus on profitability to reach positive cash flow and long-term financial stability. Additional information on our strategy and business model is presented in the Strategic Report on pages 6 to 11.

#### **2. Seek to understand and meet shareholder needs and expectations**

The Board is committed to communicating and having constructive dialogues with current and potential shareholders on a regular basis. Due to Covid-19, shareholders are encouraged to participate in the Proxy vote via mail or other electronic means. Shareholders are also encouraged to attend the Company's virtual presentation following the Annual General Meeting. Information on significant Group milestones and developments is readily available in news releases, interim reports, and annual reports issued directly, broadcast widely, and posted to the Group's website. Our CEO is the primary contact for current and potential investors, and works closely with our Nominated Advisor and others to interact with the broader investment community on a regular basis.

#### **3. Take into account wider stakeholder and social responsibilities and their implications for long-term success**

The Board is committed to the Group developing and maintaining open communications and dialogues with employees, customers, suppliers, regulators, investors, and partners. In addition to the investor activities described above, key practical elements of this commitment include a flat organization with ready employee access to management and the Board, regular direct contact with customers, quality assessments and reviews with vendors, and leadership roles in industry and scientific associations.



**4. Embed effective risk management, considering both opportunities and threats, throughout the organization**

The Board constantly monitors major business risks faced by the Group and ensures appropriate courses of action to manage those risks. In 2018 the Board and management adopted a framework for the effective identification, assessment, and management of risks to the achievement of corporate objectives. The risk management process is embedded in monthly reporting and quarterly meetings. The risks that the Board considers to be most significant to the Group's business are set out on pages 8 to 10.

**5. Maintain the Board as a well-functioning, balanced team led by the Chairman**

The QCA Code requires that Boards have an appropriate balance between Executive and Non-Executive Directors and that each Board should have at least two Independent Directors. The Board is made up of one Executive Director and three Independent Non-Executive Directors. The three Independent Non-Executive Directors are experienced and independent persons who have each succeeded in their own businesses and are not dependent upon income from the Group. They have a strong and detailed understanding of the business, and are prepared and able to intervene and challenge the Executive Director and management.

**6. Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities**

All members of the Board bring relevant experience to the Board's responsibilities and duties. The Board believes its blend of experience, skills, and personal capabilities are well-suited for governing the success of the Group. Details of the background and experience of the Directors are set out in their biographies. These demonstrate that the Board collectively has extensive specialty chemical industry knowledge and relevant experience on the challenges of technology-based growth businesses and publicly-traded companies.

**7. Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement**

The Board reviewed its structure in 2018 and made desired changes to improve performance as previously disclosed in the 2018 Annual Report. The Board continues to review its needs and assess opportunities for continuous improvement as the Group's commercial activities develop.

**8. Promote a corporate culture that is based on ethical values and behaviours**

Itaconix's core values are embedded in its quality system, which commits the Group to consistently deliver customer value, satisfaction and service through continual improvement and employee development. Key pillars of the culture are curiosity to use new approaches and technology to meet a need, accuracy of scientific analyses, the safety of our products and our processes, data-driven product claims that compel customers to reformulate, reliable order fulfilment with quality product, compliance with all laws and regulations, and respect for the livelihoods of all stakeholders. These values and pillars are introduced and reinforced through daily routines and periodic activities that instil ethical and rewarding behaviour into each employee's work practices and experience.

**9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board**

Formal Board meetings are held at least quarterly to review strategy, management, and performance of the Group, with additional meetings between those dates convened as necessary. We have three Board committees, the Audit Committee, the Remuneration Committee, and the Nominations Committee. The terms of reference of these committees of the Board are available on our website.

**10. Communicate how Itaconix is governed and is performing by maintaining a dialog with shareholders and other relevant stakeholders**

The Company's approach to investor and shareholder engagement is described under Principle 2 above. Annual reports, Annual General Meeting notices, regulatory announcements, trading updates and other governance related materials since the year 2016 are available on our website.

## The Board of Directors

The Board of Directors is responsible for the proper management of the Group by formulating, reviewing and approving the Group's strategy, budgets, and corporate actions. In order to achieve its objectives, the Board has adopted the ten principles of the QCA Code. Through successfully implementing these principles, the Board aims to deliver long-term growth for shareholders and maintain a flexible, efficient and effective management framework within an entrepreneurial environment.

It is important that the Board itself contains the right mix of skills and experience in order to deliver the strategy of the Group. As such, the Board is comprised of:

- An Independent Non-Executive Chair, whose primary responsibility is the delivery of the Group's corporate governance model. The Chair has a clear separation from the day-to-day business of the Group which allows him to make independent decisions;
- One Executive Director; and
- Two Independent Non-Executive Directors.

The Board has not appointed a Senior Independent Director after taking into account the Group's size and development stage.

Each Director serves on the Board subject to re-election on a three-year rotation at the Annual General Meeting. The Board generally meets at least four times a year.

## Corporate Governance

In compliance with UK best practice, the Board has established the following committees to help the Board discharge its responsibilities with formally delegated duties and responsibilities.

### 1. Audit Committee

The purpose of the Audit Committee is to monitor the integrity of the financial statements of the Group and to assist the Board in its oversight of risk and risk management processes.

Some of the Audit Committee's duties include:

- Reviewing the Group's accounting policies and adoption of new accounting standards;
- Reviewing reports from the external auditor;
- Considering whether the Group has followed appropriate accounting standards and made appropriate estimates and judgments, taking into account the views of the external auditor;
- Reporting its views to the Board of Directors if it is not satisfied with any aspect of the proposed financial reporting by the Group;
- Reviewing the adequacy and effectiveness of the Group's internal financial controls and internal control and risk management systems;
- Reviewing the adequacy and effectiveness of the Group's anti-money laundering systems and controls for the prevention of bribery and receive reports on non-compliance; and
- Overseeing the appointment of and the relationship with the external auditor.

The Audit Committee currently has three members, all of whom are Independent Non-Executive Directors and at least one member who has recent and relevant financial experience. As at 29 September 2020, the Audit Committee is comprised of John Snow as Chair, James Barber, and Bryan Dobson.



## 2. Remuneration Committee

The purpose of the Remuneration Committee is to develop and propose to the Board the framework and policies for the remuneration of the Group's Executive Directors and senior management.

The Committee normally meets at least twice a year and is responsible for determining and reviewing the policy for the remuneration of the Executive Directors and such other members of the executive management as it is designated to consider. Within the terms of the agreed policy, it determines the total individual remuneration of the Executive Directors. The Committee also approves the design of, and determines targets for, any performance-related pay schemes, reviews the design of any share incentive plans, determines the awards to the Executive Directors and sets the policy for, and scope of, pension arrangements for each Executive Director, as appropriate. Finally, the Committee approves the design and principles of the remuneration schemes for the employees of the business outside of the management team, which are implemented by the Executive Directors.

As at 29 September 2020, the Remuneration Committee is comprised of Bryan Dobson as Chair, James Barber, and John Snow, each of whom is an Independent Non-Executive Director.

## 3. Nominations Committee

The Company's Nominations Committee is comprised of James Barber as Chair, Bryan Dobson, and John Snow. The Committee is normally required to meet at least once a year and is responsible for reviewing the structure, size and composition of the Board and recommending to the Board any changes required, for succession planning, and for identifying and nominating for approval of the Board candidates to fill vacancies as and when they arise, with a view to ensuring that the Board is composed of individuals with the necessary skills. The Committee is also responsible for succession planning for Directors and Executives, reviewing the leadership needs of the organisation, reviewing Board performance, making recommendations to the Board concerning suitable candidates for the role of senior independent Director (if applicable) and the membership of the Board's committees, and the election or re-election of Directors at the annual general meeting.

### Terms of Reference

All Board committees operate within defined terms of reference and sufficient resources are made available for them to undertake their duties. The terms of reference for each committee are available on the Company's website (in the Investor Relations section and under Corporate Governance).

### Corporate Social Responsibility

The Board recognises the critical role of ethics, the growing concerns for social and environmental matters, and the need to take into account the interests of the Group's stakeholders, including its investors, employees, suppliers and business partners, when operating the business.

### Employment

The Board recognises its legal responsibility to ensure the well-being, safety and welfare of its employees and maintain a safe and healthy working environment for them and for its visitors.

### Relations with Shareholders

Itaconix attaches a high priority to effective communication with both institutional and private shareholders. The AGM is the principal forum for dialogue with private shareholders. A business presentation is made after the AGM and there is an opportunity for shareholders to put questions to the Directors. Due to Covid-19, these communications will be held virtually. Itaconix aims to maintain regular contact with institutional shareholders through a programme of one to one presentations, group meetings, and briefings scheduled around the announcement of significant commercial developments in the business and the preliminary and interim financial results.

## Share Dealing Code

The Company has adopted a share dealing code to ensure directors and certain employees do not abuse and do not place themselves under suspicion of abusing inside information of which they are in possession and to comply with its obligations under the Market Abuse Regulation ("MAR") which applies to the Company by virtue of its shares being traded on AIM. Furthermore, the Company's share dealing code is compliant with the AIM Rules for Companies published by the London Stock Exchange (as amended from time to time).

Under the share dealing code, the Company must:

- Keep a list of each person who is in possession of inside information relating to the Group;
- Procure that all persons discharging managerial responsibilities and certain employees are given clearance by the Group before they are allowed to trade in Company securities; and
- Procure that all persons discharging managerial responsibilities and persons closely associated to them notify both the Company and the Financial Conduct Authority of all trades in Company securities that they make.

## Internal Control

The Board has overall responsibility for ensuring that the Group maintains a system of internal control to provide its members with reasonable assurance regarding the reliability of financial information used within the business and for publication and that the Group's assets are safeguarded. There are inherent limitations in any system of internal control and accordingly even the most effective system can provide only reasonable, and not absolute, assurance with respect to the preparation of accurate financial information and the safeguarding of assets. The key features of the internal control system that operated throughout the year are described under the following headings:

- Control environment: particularly the definition of the organisation structure and the appropriate delegation of responsibility to operational management.
- Identification and evaluation of business risks and control objectives: particularly through a formal process of consideration and documentation of risks and controls which is periodically undertaken by the Board.
- Main control procedures: which include the setting of annual and longer term budgets and the monthly reporting of performance against them, agreed treasury management and physical security procedures, formal capital expenditure and investment appraisal approval procedures, and the definition of authorisation limits (both financial and otherwise).
- Monitoring: particularly through the regular review of performance against budgets and the progress of research activities undertaken by the Board. The Board reviews the operation and effectiveness of this framework on a regular basis. The Directors consider that there have been no weaknesses in internal controls that have resulted in any losses, contingencies or uncertainties requiring disclosures in the financial statements.

## Annual General Meeting

The Annual General Meeting of the Group will take place on 23 October 2020. Full details are included in the Notice of Meeting that accompanies this Annual Report and is published on our website ([www.itaconix.com](http://www.itaconix.com)).

James Barber  
Chairman

29 September 2020

I am pleased to present the report on behalf of the Remuneration Committee.

The Committee is responsible for setting the remuneration policy of the Executive Directors and other senior staff, including terms of employment, salaries, any performance bonuses and share option awards.

## Committee Composition

The members of the Remuneration Committee as at 29 September 2020 are Bryan Dobson as Chair, James Barber, and John Snow. We are all Non-Executive Directors.

## Committee Duties

The Company has established a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors. No Director is involved in deciding his own remuneration.

## Remuneration Policy

The key principles of the Remuneration Policy include:

- The need to attract, retain, and motivate executives who have capability to ensure the Group achieve its strategic objectives;
- The need to ensure that short term benefits and long term incentive plans are aligned with the interests of shareholders;
- The need to take into account the competitive landscape in the North American and European specialty chemicals industry and current best practices in setting appropriate levels of compensation; and
- The Committee to meet at least twice per year.

## Director's Remuneration

The following table summarises the total gross remuneration for the qualifying services of the directors who served during the year to 31 December 2019.

### Directors' Remuneration and Transactions

The Directors' emoluments in the year ended 31 December 2019 were:

	Basic salary \$'000	Benefits in kind \$'000	Retirement \$'000	Bonus \$'000	2019 Total \$'000	2018 Total \$'000
<b>Executive Director</b>						
<i>John R. Shaw</i>	237	-	7	-	244	112
<b>Non-Executive Directors</b>						
<i>James Barber</i>	60	-	-	-	60	51
<i>Bryan Dobson</i>	45	-	-	-	45	72
<i>John Snow III</i>	46	-	-	-	46	12
<i>Michael Townsend<sup>(1)</sup></i>	-	-	-	-	-	-
<b>Total</b>	<b>388</b>	<b>-</b>	<b>7</b>	<b>-</b>	<b>395</b>	<b>247</b>

(1) An amount of \$7,938 was paid to IP Group plc for the services of Mr. Townsend.

## Directors' Interests

The interests of the Directors in the share capital of the Company are disclosed below. Mike Townend resigned on 24 May 2019. Below are the Directors' interest:

Directors' Interests	31 December 2019	31 December 2018
	Number of ordinary shares of 1p each	Number of ordinary Shares of 1p each
John R. Shaw	33,894,915	33,173,097
John Snow III	1,849,568	-
James Barber	1,466,818	700,000
Bryan Dobson	583,500	583,500
Michael Townend <sup>(1)</sup>	64,940	64,940

(1) Michael Townend resigned on 24 May 2019

None of the Directors has a service contract with the Group requiring more than twelve months' notice of termination to be given. None of the Directors had, either during or at the end of the year, any material interest in any contract of significance with the Company or its subsidiaries.

## Executive Directors' Service Contracts

The Executive Director signed service contracts on his appointment. These contracts are not of fixed duration. The Chief Executive Officer's contract is terminable by either party giving twelve months' written notice.

## Non-Executive Directors

The Non-Executive Directors signed letters of appointment with the Group for the provision of Non-Executive Directors' services, which may be terminated by either party giving written notice. The remuneration of the Non-Executive Directors is determined by the Board as a whole.

The Committee met four times during the financial year to 31 December 2019.

Bryan Dobson  
Chairman of the Remuneration Committee

29 September 2020

The Audit Committee is responsible for promoting the quality of internal controls and ensuring that the financial performance of Itaconix is reviewed and reported properly.

The Committee reviews reports on the interim and annual accounts, financial announcements, the Company's accounting and financial control systems, changes to accounting policies, the extent of non-audit services undertaken by the external auditor, and the appointment of the external auditor.

During the period the Audit Committee reviewed the draft interim reports and associated announcements. The Audit Committee considered the accounting policies and principles adopted in these accounts as well as significant accounting issues and areas of judgement and complexity.

## Committee Composition

The terms of reference for the Audit Committee require the committee to consist of preferably three members but not less than two members and that a majority of the members shall be independent non-executives with at least one with recent and relevant financial experience.

The members of the Audit Committee as at 29 September 2020 are John Snow as Chair, James Barber, and Bryan Dobson. We are all Independent Non-Executive Directors.

The Board is of the view that the Audit Committee has recent and relevant financial experience. John Shaw, CEO, and relevant management may attend Committee meetings by invitation.

## Role of the Committee

The main duties of the Committee are set out in its terms of reference, which are available on Itaconix's website. The main items of business considered by the Committee included:

- Reviewing the Group's accounting policies and reports produced by internal and external audit functions;
- Considering whether the Group has followed appropriate accounting standards and made appropriate estimates and judgments, taking into account the views of the external auditor;
- Reporting its views to the Board of Directors if it is not satisfied with any aspect of the proposed financial reporting by the Group;
- Reviewing the adequacy and effectiveness of the Group's internal financial controls and its internal control and risk management systems;
- Reviewing the adequacy and effectiveness of the Group's anti-money laundering systems and controls for the prevention of bribery and receive reports on non-compliance, and
- Overseeing the appointment of and the relationship with the external auditor.

## Financial Reporting

The Committee reviews whether suitable accounting policies have been adopted and whether management has made appropriate judgements and estimates. The Committee's remit includes reviews of accounting papers prepared by management providing details on the main financial reporting judgements as well as assessments of the impact of potential new accounting standards.

The reporting currency was changed from UK Sterling to US Dollars, IFRS16 'Leases' was adopted during the year, and IFRIC 23 "Uncertainty over Income Tax Treatments" was adopted during the year, as described in Note 2 to the financial statements.

The Committee has concluded that the Annual Report and financial statements are prepared appropriately and provide the necessary information for shareholders to assess Itaconix's strategy and performance.

## Risk Management and Internal Controls

The risk and control management framework of Itaconix is designed to manage rather than eliminate the risk of failure to meet Itaconix's objectives. The system of controls can provide reasonable but not absolute assurances against material misstatement or loss. Itaconix faces a number of risks, the significant ones of which are set out in the section on Principal Risks and Uncertainties on Page 8 to 10.

Through the control systems outlined in the Statement of Corporate Governance on pages 14 to 18, Itaconix operates an ongoing process of identifying, evaluating, and managing significant risks faced by the business. This process includes the following:

- Defined organisation structure and appropriate delegation of authority;
- Formal authorisation procedure for investments;
- Clear responsibility for management to maintain good financial control and the production and review of detailed, accurate and timely financial information;
- Identification of operational risks and mitigation plans developed by senior management; and
- Regular reports to the Board from the Executive Directors.

Itaconix remains, in substance, in early stage development and is currently implementing appropriate internal controls and processes to reflect its size and business complexity. The Committee has been kept up-to-date of progress in implementing these processes, reviewed the Board's processes, and the Committee is satisfied that the risk management and internal control systems in place are currently operating effectively.

## External Auditor

BDO was appointed auditor of Itaconix during 2019. The Committee considers that its relationship with the auditor is working well and is satisfied with their effectiveness.

The Committee is responsible for implementing a suitable policy for ensuring that non-audit work undertaken by the auditor is reviewed so that it will not impact their independence and objectivity. The breakdown of fees between audit and non-audit services is provided in Note 7 to Itaconix's financial statements.

The non-audit fees primarily relate to taxation advice and, as necessary, the Committee held private meetings with the auditor to review key items within its scope of responsibility.

Taking into account the auditor's knowledge of Itaconix and experience, the Committee has recommended to the Board that BDO is reappointed as auditor for the year ending 31 December 2020.

For and on behalf of the Audit Committee

John I. Snow III  
Chairman of the Audit Committee

29 September 2020

The Directors of Itaconix plc (registered number 08024489) submit their report prepared in accordance with Schedule 7 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 ('Schedule 7').

## Principal Activities

The principal activities of the Group are the research and production of proprietary specialty polymers that meet significant customer needs, with a strategy of direct selling efforts to establish initial use of new polymers, and then partner development to scale global demand.

Most of the Group's activities are focused on homecare and personal care applications where consumer interest and desires for safer and more sustainable products are particularly high.

## Website Publication

The Directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Group's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Group's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained herein. Financial Instruments and Liquidity Risks Information about the use of financial instruments by the Company and its subsidiaries and the Group's financial risk management policies are given in Note 20.

## Directors and their Interests

The Directors of the Group at 31 December 2019 were:

James Barber (Chairman);  
John R. Shaw (Chief Executive Officer);  
Bryan Dobson (Non-Executive); and  
John I. Snow III (Non-Executive);

James Barber and Bryan Dobson were re-elected at the 2018 Annual General Meeting. John Shaw and John Snow were elected at the 2019 Annual General Meeting. In accordance with Article 90 of the Company's Articles of Association, Bryan Dobson will stand for election at the 2020 Annual General Meeting.

Biographical details of all the Directors as at 31 December 2019 are given above on pages 12 to 13.

## Liability Insurance for Directors, Officers and Employees

Itaconix has purchased insurance to cover the Directors, officers and employees of Itaconix plc and its subsidiaries against defence costs and civil damages awarded following an action brought against them in their personal capacity whilst carrying out their professional duties for the Group.

## Dividends

Itaconix is seeking primarily to achieve capital growth for its shareholders. Its intention is to retain future distributable profits, if any, and therefore the Company does not anticipate paying any dividends in the foreseeable future. The Directors therefore do not recommend payment of a dividend (2018: £nil).

## Events after the Balance Sheet Date

In May 2020, Itaconix Corporation applied for a US Government Paychecks Protection Program Loan to support the business through the Covid-19 pandemic. The Group received \$0.2m from the program to support the Group's employees and continue operations through the crisis.

In July 2020, the Group successfully raised gross proceeds of \$2.2 million via an oversubscribed placing and subscription from existing and new investors at the Issue Price of 1.1 pence (\$0.01375) per share. A total of

163,318,182 new Ordinary Shares were placed. The net proceeds of the increased Placing and Subscription are expected to provide sufficient funding for the Company until at least the end of 2021 during which the Company expects to make significant progress towards its medium term plan to achieve break-even profitability.

## Research and Development

Details of the Group's activities on research and development during the year are set out in the Strategic Report on pages 6 to 11 and Chief Executive Officer's Report on pages 3 to 5.

## Going Concern

Itaconix business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report and the financial position of Itaconix, its cash flows and liquidity position are described in the notes to the financial statements, in particular in the consolidated cash flow statement and in Note 20 (financial instruments).

The financial statements have been prepared on a going concern basis. The Directors have reviewed the Company's and the Group's going concern position taking account its current business activities, budgeted performance and the factors likely to affect its future development, set out in the Annual Report, and including the Group's objectives, policies and processes for managing its working capital, its financial risk management objectives and its exposure to credit and liquidity risks.

As described in Note 3, the Directors have reviewed the Group's cash flow forecasts covering a period of at least 12 months from the date of approval of the financial statements, which foresee that the Group will be able to meet its liabilities as they fall due. However, the success of the business is dependent on customer adoption of our products in order to increase revenue and profit growth. Inability to deliver this could result in the requirement to raise additional funds.

Subsequent to year end, the Group successfully raised funds of \$2,246k.

The Directors have also taken into consideration the impact of the Covid-19 pandemic on the Group's revenues and supply chain. While there has not been a negative impact through the report date on the Group revenues or supply chain due to the pandemic, the Directors have applied sensitivities to the timing, quantum, and growth of new customer projects in revenue models and have assessed alternate supply chains that have been developed by the Group to mitigate any issues to our customers.

The Directors have concluded that the circumstances set forth above represent a material uncertainty, which may cast significant doubt about the Company and Group's ability to continue as a going concern. However, they believe that taken, as a whole, the factors described above enable the Company and Group to continue as a going concern for the foreseeable future. The financial statements do not include the adjustments that would be required if the Company and the Group were unable to continue as a going concern.

## Substantial Shareholdings

In addition to the Directors' interests, as disclosed in the Director's Remuneration Report, the Company is aware of the following shareholders with a percentage holding amounting to 3% or more of the ordinary share capital based on the Company's shareholder register as of 23 September 2020:

Shareholder	Shares Held	% Holding
Hargreaves Lansdown Asset Management	55,466,862	12.8%
IP Group	48,291,522	11.2%
John R. Shaw	44,076,733	10.2%
Walker Crips Stockbrokers	22,701,474	5.3%
Octopus Investments	21,387,288	5.0%
Interactive Investor	19,006,035	4.4%
Guy Broadbent	18,275,000	4.2%
Jarvis Investment Management	17,103,561	4.0%
Halifax Share Dealing	14,787,584	3.4%



The percentage interest has been calculated on the total voting rights of 432,448,253, being the Company's issued share capital on 23 September 2020. No other person has reported an interest in the ordinary shares of the Company required to be notified to the Company.

## **Information Presented in Other Sections**

Certain information required to be included in a directors' report by Schedule 7, including references to future developments, research and development and financial instruments, can be found where applicable in the other sections of this Annual Report. All of the information presented in those sections is incorporated by reference into this Directors' Report and is deemed to form part of this report.

## Directors' Responsibilities

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 the law the Directors have elected to prepare the Group and Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and applicable law. 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 Group and Company and of the profit or loss of the Group for that period. The directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market. In preparing these financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements;
- Prepare the financial statements on a 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 requirements of 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.

## Website publication

The Directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

## Information Given to the Auditor

Each of the persons who are Directors of the Company at the date when this report was approved confirms that:

- So far as the Director is aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the Company's auditor is unaware; and
- The Directors have taken all steps that they ought to have taken as Directors to make themselves aware of any relevant audit information (as defined in the Companies Act 2006) and to establish that the Company's auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

## Auditor

BDO, LLP have expressed their willingness to continue in office as auditor. A resolution concerning their re-appointment will be proposed at the 2020 Annual General Meeting.

Approved by the Board of Directors and signed on behalf of the Board,

John R. Shaw  
Chief Executive Officer

29 September 2020

## Independent auditor's report to the members of Itaconix plc

### Opinion

We have audited the financial statements of Itaconix plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2019 which comprise the consolidated income statement, the consolidated statement of other comprehensive income, the consolidated and company balance sheets, the consolidated and company statement of changes in equity, the consolidated and company statement of cash flows and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2019 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Material uncertainty related to going concern

We draw attention to note 3 in the financial statements which indicates that the Group may need to raise further finance within the next 12 months to enable it to cover its operating expenses, especially in light of the current COVID-19 pandemic causing economic uncertainty and making accurate forecasting even more judgmental and complex. These events or conditions, along with the other matters as set forth in note 3, indicate the existence of a material uncertainty that may cast significant doubt about the Parent Company and Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

The calculations supporting the going concern assessment require management to make highly subjective judgements. We have therefore spent significant audit effort in assessing the appropriateness of the assumptions involved, and as such this has been identified as a Key Audit Matter.

Our audit procedures included the following:

- Review of the internal forecasting process to confirm the projections are prepared by an appropriate level of staff that are aware of the detailed figures included in the forecast but also have an understanding of the entity's market, strategy and changes in the customer base;
- Reviewing management's assessment of going concern through analysis of the Group's cash flow forecast and other projections through to 31 December 2021, including assessing and challenging the assumptions as to determine whether there is adequate support for the assumptions underlying the forecasts and comparison against post year-end results to date and performing sensitivity analysis to consider cash flow changes if the level of revenue and costs. This includes reverse stress testing to ascertain what levels of cost increases or revenue decline cause a cash shortage at any point in management's post balance sheet assessment period and considering the likelihood that those fact patterns could occur;
- Reviewing the terms of the Group's finance raised post year end. and plans for future fund raising;
- Reviewing post-balance sheet events, specifically the cash flow position against budgeted performance; and
- Considering the adequacy of the disclosures in the financial statements against the requirements of the accounting standards.

### Key audit matters

In addition to the matter described in the material uncertainty related to going concern section, key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the

audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<b>Key Audit Matter</b>	<b>How we address the matter in our audit</b>
<p><b>Revenue Recognition</b></p> <p>The Group generates revenue from the sales of goods, with revenue recognised at a point in time. Details of the Group's revenue streams and accounting policies applied during the year are given in note 3 on page 42.</p> <p>We considered there to be a significant audit risk arising from inappropriate or incorrect recognition of revenue.</p> <p>The key audit matters related to revenue recognition are as follows:</p> <ul style="list-style-type: none"> <li>• The existence and timing of revenue arising from the sale of products to customers;</li> <li>• the recognition of revenue around the year end (cut-off); and</li> <li>• the revenue recognition policy itself, as detailed in notes 3 &amp; 5 to these financial statements.</li> </ul>	<p>With regards to the risk of material misstatement related to the inappropriate or incorrect recognition of revenue we performed the following specific testing:</p> <ul style="list-style-type: none"> <li>• We agreed a sample of transactions from throughout the year to invoice and evidence of delivery;</li> <li>• We tested a sample transactions either side of the balance sheet date to check that they have been recorded in the correct period; and</li> <li>• We performed audit procedures to confirm whether the processing and timing of journals to record revenue around the year-end were appropriate.</li> </ul> <p>We assessed whether the revenue recognition policies adopted by the Group comply with IFRS as adopted by the European Union and Industry Standard. The relevant IFRS is International Financial Reporting Standard 15 Revenue from Contracts with Customers.</p> <p><b>Key observations:</b></p> <p>Based on the procedures performed, we noted no material instances of management bias or error associated with the inappropriate or incorrect recognition of revenue, nor with the accounting of any associated components to the sales agreements. Based on the work performed we consider that revenue has been materially recognised appropriately and in accordance with the Group's revenue recognition accounting policy.</p>
<p><b>Valuation of contingent consideration</b></p> <p>Refer to the accounting policies in Note 3 and Notes 4 and 19 of the Consolidated Financial Statements.</p> <p>The Group balance sheet reports a \$2.4m (2018: \$3.9m) provision for contingent consideration that arose from an acquisition in the prior period.</p> <p>The contingent consideration is subject to an estimate and judgement in respect of future expected annual revenues until and including the year to 31 December 2022 and the discount rate; both impact the quantum of the fair value of the contingent consideration as at the balance sheet date. Any change in estimate in the period, will change the fair value of the contingent consideration, with an equal and opposite entry recorded in the Income Statement.</p>	<p>We have performed the following procedures:</p> <ul style="list-style-type: none"> <li>• Confirmed that the cash flow forecast used in the measurement of the liability is consistent with the information approved by the Board;</li> <li>• Evaluated forecasts in light of historical accuracy of management's forecasts and subsequent results;</li> <li>• We tested the methodology applied in the calculations and the mathematical accuracy of management's mode;</li> <li>• We used specialists in the area of Valuation in assessing the appropriateness of the discount rate adopted by management and applied to the cash flow forecast; and</li> <li>• We performed sensitivity analysis on the key assumptions in the model.</li> </ul> <p><b>Key observations:</b></p> <p>Based on the procedures performed, we noted no instances of material numerical or presentational misstatements in the year relating to the accounting for contingent consideration.</p>

## Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

## Level of materiality applied and rationale

We determined materiality for the Group financial statements as a whole to be \$160,000 (2018: \$153,000), which was calculated with reference to the loss before tax.

Materiality for the Parent Company was based on total assets and capped at 72% (2018: 65%) of group materiality, at \$115,000 (2018:\$100,000).

The individual component materiality was set at 72% (2018: 65%) group materiality, at \$115,000 (2018:\$100,000).

We used loss before tax as a benchmark for the Group as this is the primary KPI used to address the performance of the business by the Board, and is referenced within the RNS announcements released by the Group.

Performance materiality was set at 75% (2018:65%) of materiality at \$120,000 (2018: \$100,000). In setting the level of performance materiality we considered a number of factors including the expected total value of known and likely misstatements.

We agreed with the Audit Committee that misstatements in excess of \$8,000 (2018:\$3,000), which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

## An overview of the scope of our audit

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the geographic structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

In establishing the overall approach to the Group audit, we assessed the audit significance of each component in the Group by reference to both its individual financial significance to the Group or other specific nature or circumstances. We identified three individually significant components, which makes up 100% of the Group activity.

To this extent:

- The Group audit team performed a full scope audit for Itaconix Plc, Itaconix Corporation and Itaconix (U.K) Limited; noting all these entities books and records are located in the USA, work was performed remotely. Furthermore, we included specialists in the area of Valuation in our team in respect of the following matters - fair value of contingent consideration and to assess the appropriateness of the increment borrowing rate adopted by management to determine the right-of-use asset and lease liabilities at the date of transition to IFRS 16 - Leases.; and
- The Group audit team visited the USA to meet with Group management at the Group's US production facility.

## Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report and Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion 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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 in this regard.

## Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

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

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report. We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

## Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 26, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors 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 Parent 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 Parent Company or to cease operations, or have no realistic alternative but to do so.

## Auditor's 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 auditor's 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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## Use of our report

This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Iain Henderson (Senior Statutory Auditor)  
For and on behalf of BDO LLP, Statutory Auditor  
London, UK

29 September 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

# CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2019

YEAR IN REVIEW  
GOVERNANCE  
FINANCIAL STATEMENTS

	Notes	2019 \$'000	2018 (Restated) \$'000
<b>Continuing operations</b>			
Revenue	5	1,288	881
Cost of sales		(838)	(741)
<b>Gross profit</b>		<b>450</b>	140
Other operating income	6	62	129
Administrative expenses		(3,390)	(5,935)
<b>Group operating loss before exceptional items</b>	7	<b>(2,878)</b>	(5,666)
Exceptional income/ (expense) on revaluation of contingent consideration	19	1,474	(3,323)
Exceptional expense on organizational restructuring	7	-	(1,190)
Finance income	9	1	4
Gain on sale of associate	13	84	-
Share of (loss) / profit of associate	13	(38)	120
<b>Operating Loss before tax from operations</b>		<b>(1,357)</b>	(10,055)
Taxation (charge)/credit	10	(1)	187
<b>Loss for the year from operations</b>		<b>(1,358)</b>	(9,868)
<b>Loss for the year</b>		<b>(1,358)</b>	(9,868)
<b>Basic and diluted loss per share</b>	11	<b>(0.5)</b>	(6.3)
<b>Diluted loss per share</b>	11	<b>(0.5)</b>	(6.3)

The accompanying notes 1 to 28 form an integral part of the financial statements.

# CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

YEAR IN REVIEW  
GOVERNANCE  
FINANCIAL STATEMENTS

	Notes	2019 \$'000	2018 (Restated) \$'000
<b>Loss for the year</b>		<b>(1,358)</b>	(9,868)
<b><i>Items that will be reclassified subsequently to profit or loss</i></b>			
Exchange gains / (losses) in translation of foreign operations		48	(193)
<b>Total comprehensive loss for the year, net of tax</b>		<b>(1,310)</b>	(10,061)
<b>Attributable to:</b>			
Equity holders of parent		(1,310)	(10,061)

The accompanying notes 1 to 28 form an integral part of the financial statements.



CONSOLIDATED AND COMPANY  
BALANCE SHEETS  
At 31 December 2019

	Notes	Group			Company		
		31 Dec 2019	31 Dec 2018	1 Jan 2018	31 Dec 2019	31 Dec 2018	1 Jan 2018
		(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
			(Restated)	(Restated)		(Restated)	(Restated)
<b>Non-current assets</b>							
Property, plant and equipment	14	701	972	1,323	–	–	–
Right-of-use assets	21	920	–	–	–	–	–
Trade and other receivables	16	–	–	–	–	3,291	–
Investment in subsidiary undertakings	12	–	–	–	1,053	1,010	763
Investment in associate undertakings	13	–	167	–	–	–	–
		<b>1,621</b>	<b>1,139</b>	<b>1,323</b>	<b>1,053</b>	<b>4,301</b>	<b>763</b>
<b>Current assets</b>							
Inventories	15	504	387	366	–	–	–
Trade and other receivables	16	331	907	953	36	723	6,890
Cash and cash equivalents	17	765	2,655	4,869	240	2,194	3,562
		<b>1,600</b>	<b>3,949</b>	<b>6,188</b>	<b>276</b>	<b>2,917</b>	<b>10,452</b>
<b>Total assets</b>		<b>3,221</b>	<b>5,088</b>	<b>7,511</b>	<b>1,329</b>	<b>7,218</b>	<b>11,215</b>
<b>Financed by</b>							
<b>Equity shareholders' funds</b>							
Equity share capital	22	3,677	3,677	1,205	3,677	3,677	1,205
Equity share premium		46,135	46,135	43,923	46,135	46,135	43,923
Own shares reserve		(5)	(5)	(7)	(5)	(5)	(7)
Merger reserve		31,343	31,343	31,343	3,582	3,582	3,582
Share based payment reserve		10,317	10,293	9,989	1,240	1,216	912
Foreign translation reserve		(219)	(267)	(74)	(2,273)	(2,455)	(2,301)
Retained earnings		(92,245)	(90,887)	(81,019)	(53,807)	(48,913)	(37,005)
<b>Total equity</b>		<b>(997)</b>	<b>289</b>	<b>5,360</b>	<b>(1,451)</b>	<b>3,237</b>	<b>10,309</b>
<b>Non-current liabilities</b>							
Contingent consideration	19	2,441	3,891	819	2,441	3,891	819
Lease liabilities	21	750	–	–	–	–	–
		<b>3,191</b>	<b>3,891</b>	<b>819</b>	<b>2,441</b>	<b>3,891</b>	<b>819</b>
<b>Current liabilities</b>							
Trade and other payables	18	707	908	1,332	339	90	87
Lease liabilities	21	320	–	–	–	–	–
		<b>1,027</b>	<b>908</b>	<b>1,332</b>	<b>339</b>	<b>90</b>	<b>87</b>
<b>Total liabilities</b>		<b>4,218</b>	<b>4,799</b>	<b>2,151</b>	<b>2,780</b>	<b>3,981</b>	<b>906</b>
<b>Total equity and liabilities</b>		<b>3,221</b>	<b>5,088</b>	<b>7,511</b>	<b>1,329</b>	<b>7,218</b>	<b>11,215</b>

# CONSOLIDATED AND COMPANY BALANCE SHEETS

At 31 December 2019

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The loss for the year for the Company amounted to \$4,894k (2018: \$11,908K). The financial statements of Itaconix plc, registered number 08024489, were approved by the Board of Directors for issue on 29 September 2020.

**John R. Shaw**  
Director

**James Barber**  
Director

The accompanying notes 1 to 28 form an integral part of the financial statements

# CONSOLIDATED AND COMPANY STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 December 2019

## Consolidated statement of changes in equity

	Equity share capital	Equity share premium	Own shares reserve	Merger reserve	Share based payment reserve	Foreign translation reserve	Retained deficit	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 January 2018 (Restated)	1,205	43,923	(7)	31,343	9,989	(74)	(81,019)	5,360
Loss for the year	–	–	–	–	–	–	(9,868)	(9,868)
Share issuance, net of expenses	2,472	2,212	–	–	–	–	–	4,684
Exchange differences on translation of foreign operations	–	–	–	–	–	(193)	–	(193)
Exercise of share options	–	–	2	–	–	–	–	2
Share based payments	–	–	–	–	304	–	–	304
<b>At 31 December 2018 (Restated)</b>	<b>3,677</b>	<b>46,135</b>	<b>(5)</b>	<b>31,343</b>	<b>10,293</b>	<b>(267)</b>	<b>(90,887)</b>	<b>289</b>
Loss for the year	–	–	–	–	–	–	(1,358)	(1,358)
Exchange differences on translation of foreign operations	–	–	–	–	–	48	–	48
Share based payments	–	–	–	–	24	–	–	24
<b>At 31 December 2019</b>	<b>3,677</b>	<b>46,135</b>	<b>(5)</b>	<b>31,343</b>	<b>10,317</b>	<b>(219)</b>	<b>(92,245)</b>	<b>(997)</b>

## Company statement of changes in equity

	Equity share capital	Equity share premium	Own shares reserve	Merger reserve	Share based payment reserve	Foreign translation reserve	Retained deficit	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 January 2018 (Restated)	1,205	43,923	(7)	3,582	912	(2,301)	(37,005)	10,309
Loss for the year	–	–	–	–	–	–	(11,908)	(11,908)
Share issuance, net of expenses	2,472	2,212	–	–	–	–	–	4,684
Exchange differences on translation of foreign operations	–	–	–	–	–	(154)	–	(154)
Exercise of share options	–	–	2	–	–	–	–	2
Share based payments	–	–	–	–	304	–	–	304
<b>At 31 December 2018 (Restated)</b>	<b>3,677</b>	<b>46,135</b>	<b>(5)</b>	<b>3,582</b>	<b>1,216</b>	<b>(2,455)</b>	<b>(48,913)</b>	<b>3,237</b>
Loss for the year	–	–	–	–	–	–	(4,894)	(4,894)
Exchange differences on translation of foreign operations	–	–	–	–	–	182	–	182
Share based payments	–	–	–	–	24	–	–	24
<b>At 31 December 2019</b>	<b>3,677</b>	<b>46,135</b>	<b>(5)</b>	<b>3,582</b>	<b>1,240</b>	<b>(2,273)</b>	<b>(53,807)</b>	<b>(1,451)</b>

The accompanying notes 1 to 28 form an integral part of the financial statements.

# CONSOLIDATED AND COMPANY STATEMENTS OF CHANGES IN EQUITY

## For the year ended 31 December 2019

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The reserves described above have the purposes described below:

### **Share capital**

Amount subscribed for share capital at par value.

### **Share premium**

Amount subscribed for share capital in excess of nominal value.

### **Own shares reserve**

The reserve records the nominal value of shares purchased and held by the Employee Benefit Trust to satisfy the future exercise of options under the Group's share option schemes.

### **Merger reserve**

This reserve arose as a result of a common control business combination on the formation of the Group. The premium on the issue of shares as part of a business combination is credited to this reserve.

### **Share based payment reserve**

This reserve records the credit to equity in respect of the share based payment cost.

### **Foreign exchange translation reserve**

This reserve arises on the translation of the assets and liabilities of overseas subsidiaries.

CONSOLIDATED AND COMPANY  
STATEMENTS OF CASH FLOWS  
For the year ended 31 December 2019

	Notes	Group		Company	
		2019 \$'000	2018 (Restated) \$'000	2019 \$'000	2018 (Restated) \$'000
<b>Net cash (outflow) / inflow from operating activities</b>	23	<b>(1,831)</b>	<b>(6,973)</b>	<b>210</b>	<b>119</b>
Proceeds from sale of property, plant and equipment		40	74	–	–
Purchase of property, plant and equipment		(39)	–	–	–
Proceeds from sales of associate investment, net of transaction costs		211	–	–	–
Repayment on the loan to associate		57	–	–	–
Interest received - loan to associate		6	–	–	–
Cash loaned to subsidiary undertakings		–	–	(2,164)	(6,172)
<b>Net cash inflow / (outflow) from investing activities</b>		<b>275</b>	<b>74</b>	<b>(2,164)</b>	<b>(6,172)</b>
Cash received from issue of shares		–	4,946	–	4,946
Transactions costs paid on the issue of shares		–	(261)	–	(261)
Repayment of lease liability		(320)	–	–	–
Interest paid - leases		(14)	–	–	–
<b>Net cash (outflow) / inflow from financing activities</b>		<b>(334)</b>	<b>4,685</b>	<b>–</b>	<b>4,685</b>
<b>Net (outflow) in cash and cash equivalents</b>		<b>(1,890)</b>	<b>(2,214)</b>	<b>(1,954)</b>	<b>(1,368)</b>
Cash and cash equivalents at beginning of year		2,655	4,869	2,194	3,562
<b>Cash and cash equivalents at end of year</b>		<b>765</b>	<b>2,655</b>	<b>240</b>	<b>2,194</b>

The accompanying notes 1 to 28 form an integral part of the financial statements

## 1. Introduction and statement of compliance with IFRS

The Board has considered compliance with IFRS carefully, and made disclosures that it deems appropriate in the financial statements and notes, with emphasis to the reader where relevant.

The Group's and the Company's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and with the Companies Act 2006 as applicable to companies reporting under IFRS. The principal accounting policies adopted by the Group are set out in Note 3. The nature of the Group's operations and its principal activities are set out in the Strategic Report.

The Directors anticipate that the adoption of standards and interpretations issued, but not applied in these financial statements as not yet effective, will have no material impact on the financial statements of the Group, as further explained in note 2 below.

## 2. Changes in Accounting Policies

The Group has applied the same accounting policies and methods of computation in its financial statements as in its 2018 annual financial statements, except for the change in the Group's reporting currency and those that relate to new standards and interpretations effective for the first time for periods beginning on (or after) 1 January 2019, which have been adopted in the current year's financial statements. New standards that have impacted the Group for the year ended 31 December 2019 are IFRS 16 *Leases* and IFRIC 23 *Uncertainty over Income Tax Treatment*.

### **Presentational currency**

In this period, the Board decided to change the reporting currency due to the growing exposure to the US Dollar (USD), as all major contracts and most of the new agreements for the Company are denominated in this currency. The Board therefore believes that USD financial reporting provides a reliable and more relevant presentation of the Group's financial position, funding and treasury functions, financial performance, and its cash flows. Coupled with the evolution of the business, the Group's shareholder base is now largely comprised of foreign investors to whom financial reporting in GBP is of limited relevance. Internally, the Board also bases its performance evaluation and many investment decisions on USD financial information.

It should be noted that the functional currencies of the Group's underlying businesses - functional currencies referring to the currencies of the primary economic environments in which underlying businesses operate - remain unchanged and that foreign exchange exposures will therefore be unaffected by the change, albeit that the effects of such exposures are presented in USD.

To assist investors in understanding the change in accounting policy, restated statements of financial position have been presented, providing restated USD financial information for the financial years ended 31 December 2018 and 2017.

A change in reporting currency represents a change in an accounting policy in terms of *IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors* requiring the restatement of comparative information. In accordance with *IAS 21 The Effects of Changes in Foreign Exchange Rates*, the following methodology was followed in restating historical financial information from GBP into USD:

- Non-USD assets and liabilities were translated at the relevant closing exchange rate at the end of the reporting period. Non-USD items of income and expenditure and cash flows were translated at average exchange rates for the reporting period disclosed;
- Share capital, premium, and other reserves, as appropriate, were translated at the historic rates prevailing at the dates of underlying transactions, and
- The effects of translating the group's financial results and financial position into USD were recognised in the foreign currency translation reserve.

The Group has provided the average exchange rates of its major functional currencies relative to US dollar as an approximation for these rates for reference in the following table. The closing exchange rates of the Group's

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2019

major trading currencies relative to US dollar, used when translating the statements of financial position presented in this release into US dollar, are also detailed in this table:

	31 December 2019		31 December 2018		31 December 2017	
	Average rate	Closing rate	Average rate	Closing rate	Average rate	Closing rate
Sterling	1.2769	1.3267	1.3348	1.2760	1.2883	1.3502
Euro	1.1105	1.1227	1.1371	1.1455	1.1838	1.1998

The cumulative foreign currency translation reserve was \$207k at the date of transition to IFRS. All subsequent movements comprising differences on the retranslation of the opening net assets of non-sterling subsidiaries have been taken to the foreign currency translation reserve. Share capital, share premium, and other reserves were translated at the historic rates prevailing at the dates of transactions.

## Statement of Financial Position:

	As restated \$'000	Translation effect '000	As previously reported £'000
<u>1 January 2018</u>			
Total Assets	7,511	1,948	5,563
Total Liabilities	2,151	558	1,593
Share Capital	1,205	418	787
Share Premium	43,923	15,320	28,603
Other reserves	41,251	13,594	27,657
Accumulated losses	(81,019)	(27,942)	(53,077)
<u>31 December 2018</u>			
Total Assets	5,088	1,141	3,947
Total Liabilities	4,799	1,035	3,764
Share Capital	3,677	991	2,686
Share Premium	46,135	15,834	30,301
Other reserves	41,364	13,835	27,529
Accumulated losses	(90,887)	(30,554)	(60,333)

The 2019 consolidation has been presented in USD as the decision to change reporting currencies was taken during the year. The currency translation effect has therefore not been disclosed. Share capital, share premium, and other reserves were translated at the historic rates prevailing at the dates of transactions giving rise to those equity items.

## **Adoption of new and revised standards effective from 1 January 2019**

### IFRS 16 "Leases"

IFRS 16 has replaced IAS 17: Leases, and has had an effect on the Group in the following areas (Note 21):

- IFRS 16 changes the existing guidance in IAS 17 and requires lessees to recognise a lease liability that reflects future lease payments and a "right-of-use asset" in all lease contracts within scope, with no distinction between financing and operating leases. IFRS 16 exempts lessees in short-term leases or when the underlying asset has a low value. The Group has elected to apply the practical expedient not to recognise right-of-use assets and lease liabilities for leases of low-value assets only.
- The adoption of IFRS 16 has resulted in the Group recognising right-of-use assets and lease liabilities for all contracts that are, or contain, a lease. For leases historically classified as operating leases,

under IAS 17 requirements the Group did not recognise related assets or liabilities, disclosing instead the total commitment in its annual financial statements. The Group has elected to apply the modified retrospective method. Therefore, there will be no impact on any comparative accounting period (interim or annual), with the lease liability and right-of-use assets relating to leases in existence at the date of transition, being recognised on the balance sheet on the date of initial application of IFRS 16, being 1 January 2019. In respect of the Group's former headquarters in the UK, the group has applied practical expedient to retain the IAS 17 valuation of this onerous lease of \$0.3m, this being set off against the right-of-use asset at 1 January 2019.

- Finally, instead of recognising an operating expense for its operating lease payments, the Group now recognises interest on its lease liabilities and amortisation on its right-of-use assets. This has increased the reported Earnings before Interest, Tax, Depreciation, and Amortization (EBITDA) by the amount of its current operating lease cost, which for the period was approximately \$212k.

#### IFRIC 23 "Uncertainty over Income Tax Treatments"

IFRIC 23 provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation requires:

- The Group to determine whether uncertain tax treatments should be considered separately, or together as a group, based on which approach provides better predictions of the resolution;
- The Group to determine if it is probable that the tax authorities will accept the uncertain tax treatment; and
- If it is not probable that the uncertain tax treatment will be accepted, measure the tax uncertainty based on the most likely amount or expected value, depending on whichever method better predicts the resolution of the uncertainty. This measurement is required to be based on the assumption that each of the tax authorities will examine amounts they have a right to examine and have full knowledge of all related information when making those examinations.

The Group elected to apply IFRIC 23 retrospectively with the cumulative effect recorded in retained earnings as at the date of initial application, 1 January 2019. The adoption of IFRIC 23 did not result in an increase in corporate tax liabilities.

### **3. Accounting policies**

#### ***Basis of accounting***

These financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRSs), which are adopted by the EU. Set out below are the main accounting policies which applied in preparing the financial statements for the years ended 31 December 2018 and 31 December 2019. As further explained in Note 2, the Group financial statements are presented in USD because this is the currency of the primary economic environment in which the Group currently operates, and all values are rounded to the nearest thousand (\$'000) unless otherwise indicated.

The Company's functional currency is GBP because this is the currency of the primary economic environment in which the Company currently operates.

The financial statements have been prepared on the historical cost basis, except for contingent consideration which has been measured at fair value.

#### ***Going concern***

The financial statements have been prepared on a going concern basis. The Directors have reviewed the Company's and the Group's going concern position taking account its current business activities, budgeted performance and the factors likely to affect its future development, set out in the Annual Report, and including the Group's objectives, policies and processes for managing its working capital, its financial risk management objectives and its exposure to credit and liquidity risks.



The Group made a loss before exceptional items for the year of \$2,878k, had Net Current Assets at the period end of \$573k and a Net Cash Outflow from Operating Activities of \$1,831k. Primarily, the Group meets its day to day working capital requirements through existing cash resources and had on hand cash, cash equivalents and short term deposits at the balance sheet date of \$765k (2018: \$2,655k).

Subsequent to year end, the Group successfully raised funds of \$2,246k.

The Directors have reviewed the Group's cash flow forecasts covering a period of at least 12 months from the date of approval of the financial statements, which foresee that the Group will be able to meet its liabilities as they fall due. However, the success of the business is dependent on customer adoption of our products in order to increase revenue and profit growth. Inability to deliver this could result in the requirement to raise additional funds.

The Directors have also taken into consideration the impact of the Covid-19 pandemic on the Group's revenues and supply chain. While there has not been a negative impact through the report date on the Group revenues or supply chain due to the pandemic, the Directors have applied sensitivities to the revenue models and have assessed alternate supply chains that have been developed by the Group to mitigate any issues to our customers.

The Directors have concluded that the circumstances set forth above represent a material uncertainty, which may cast significant doubt about the Company and Group's ability to continue as a going concern. However, they believe that, taken as a whole, the factors described above enable the Company and Group to continue as a going concern for the foreseeable future. The financial statements do not include the adjustments that would be required if the Company and the Group were unable to continue as a going concern.

### **Consolidation**

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. The Company controls an investee if, and only if the Company has the following:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure of rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

In accordance with Section 408 of the Companies Act 2006, no profit and loss account is presented for the Company.

### **Business combinations and contingent consideration**

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at the acquisition date fair value, and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration are recognised in accordance with IFRS 9 in profit or loss.

The fair value of contingent consideration is determined by reference to the projected financial performance in relation to the specific contingent consideration criteria for each acquisition.

### **Associates**

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries.

The Group's investments in its associates are accounted for using the equity method. Each investment in an associate is recognised (and subsequently held) at cost when acquired.

The statement of profit or loss reflects the Group's share of the results of operations of the associate or joint venture. Any change in other comprehensive income ("OCI") of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the statement of profit or loss separate from operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At least at each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and charges it to "Share of profit or loss of associate" in the statement of profit or loss.

### **Revenue recognition**

Revenue is recognised to the extent that services have been delivered and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

Revenue from the sale of goods is recognised when performance obligations have been satisfied. The delivery date is usually the date on which performance obligations have been satisfied. However, where goods are supplied when title does not irrevocably pass on delivery, it may not be appropriate to recognise all the revenue immediately. The Group provides for potential sales returns based on its actual experience of returns from customers in such cases. Where it has no such history it makes estimates by reference to minimum sales commitments in the relevant contract, or by reference, where available, to customer retail sales data or customer inventory levels at the financial year end, or based on other reasonable and relevant judgements.

### **Leases**

Leases are accounted for under IFRS 16: Leases. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases.

IFRS 16 requires lessees to recognize a lease liability that reflects the net present value of future lease payments and a corresponding "right-of-use asset" in all lease contracts, although lessees may elect not to recognize lease liabilities and right-of-use assets in respect of short-term leases or leases of assets of low value.

The company has elected not to recognize right-of-use assets and lease liabilities in respect of certain leases of office equipment of low value or of short term. The lease payments associated with these leases is recognized as an expense on a straight-line basis over the lease term.

At inception of a contract, the group assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The group recognizes a right-of-use asset and a corresponding lease liability at the lease commencement date. The lease liability is initially measured at the present value of the following lease payments:

- fixed payments;
- variable payments that are based on index or rate;
- the exercise price of any extension or purchase option if reasonably certain to be exercised;
- penalties for terminating the lease, if relevant; and
- other payments to the landlord relating to the leased asset which are determined to be in substance lease payments.

Judgement is applied to determine whether common area expenses paid to the landlord are determined to be lease or non-lease payments. (See Note 4)

The lease payments are discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the group's incremental borrowing rate. The group has used its incremental borrowing rate as the discount rate.

The right-of-use assets are initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs. The right-of-use assets are depreciated over the period of the lease term, or, if earlier, the useful life of the asset, using the straight-line method. The lease term includes periods covered by an option to extend, if the group is reasonably certain to exercise that option. In addition, the right-of-use assets may during the lease term be reduced by impairment losses, if any, or adjusted for certain remeasurements of the lease liability.

#### ***Government grants and research income***

Government grants and research income are recognised as a credit to the income statement where there is reasonable assurance that they will be received and all associated conditions will be complied with.

When the income relates to an expense item, it is recognised as income over the period necessary to match it on a systematic basis to the costs that it is intended to compensate. Where the income relates to an asset, it is recognised as deferred income and released to income in equal annual amounts over the expected useful life of the related asset.

#### ***Research and development costs***

Research costs are expensed as incurred. Development expenditure on an individual project is recognised as an intangible asset only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the asset and the ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. During the period of development, the asset is tested for impairment annually.

The Group will also capitalise development costs to the extent they are intangible assets arising on consolidation following an acquisition.

#### ***Foreign currencies***

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the year-

end date. Non-monetary items that are measured at historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Any exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were initially recorded are recognised in the income statement in the period in which they arise. Exchange differences on non-monetary items are recognised in the statement of comprehensive income to the extent that they relate to a gain or loss on that non-monetary item taken to the statement of comprehensive income, otherwise such gains and losses are recognised in the income statement.

The assets and liabilities in the financial statements of foreign subsidiaries and those of the parent company where the functional and presentational currency differ, are translated at the rate of exchange ruling at the year-end date. Income and expenses are translated at the actual rate. The exchange differences arising from the retranslation of the opening net investment in subsidiaries are taken directly to the 'Foreign currency retranslation reserve' in equity. On disposal of a foreign operation the cumulative translation differences (including, if applicable, gains and losses on related hedges) are transferred to the income statement as part of the gain or loss on disposal.

### ***Property, plant and equipment***

Property, plant and equipment are stated at cost, less accumulated depreciation and any accumulated impairment in value. Such cost includes the cost of replacing part of the plant and equipment when that cost is incurred, if the recognition criteria are met.

Depreciation is calculated to write off the cost less estimated residual value of all tangible assets over their expected useful economic life on a straight-line basis. The rates generally applicable are:

Plant and equipment	4-7 years
Short leasehold improvements	5 years
Computer and office equipment	3 years

### ***Financial assets***

Financial assets are recognised in Itaconix's and the Company's statement of financial position when Itaconix and the Company become party to the contractual provisions of the instrument. Under IFRS 9 the classification of financial assets is based both on the business model and cash flow type under which the assets are held. There are three principal classification categories for financial assets: amortised cost; fair value through other comprehensive income; and fair value through profit or loss. Itaconix has not classified any of its financial assets as fair value through other comprehensive income.

#### *Amortised cost*

These assets are non-derivative financial assets held under the 'held to collect' business model and attracting cash flows that are solely payments of principal and interest. They comprise trade and other receivables and cash and cash equivalents. They are initially measured at fair value plus transaction costs, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions for trade and other receivables are calculated using an expected credit loss model. Under this model, impairment provisions are recognised to reflect expected credit losses based on combination of historic and forward-looking information, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net; such provisions are recorded in a separate allowance account. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

**Cash, cash equivalents and investments**

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand. Investments comprise funds placed on short term deposits.

**Income taxes**

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- Where the temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss; and
- Deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Income tax is charged or credited directly to equity if it relates to items that are credited or charged to equity. Otherwise income tax is recognised in the income statement.

**Research and development tax credit**

Companies within the Group may be entitled to claim tax allowances in relation to qualifying research and development expenditure (e.g. R&D tax credits). The Group accounts for such allowances as tax credits, which means that they are recognised when it is probable that the benefit will flow to the Group and that benefit can be reliably measured. R&D tax credits reduce current tax expense and, to the extent the amounts due in respect of them are not settled by the balance sheet date, reduce current tax payable.

**Financial liabilities**

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

*Financial liabilities at fair value through profit or loss*

Financial liabilities are stated at fair value with differences taken to the consolidated income statement. Interest on financial liabilities up to maturity is included in the finance costs line item in the consolidated income statement.

*Trade and other payables*

Trade payables and other payables are not interest bearing and are stated at their full value on initial recognition. For disclosure purposes, the fair values of trade and other payables are estimated at the present value of future cash flows, discounted at the market rate of interest at the reporting date. As trade payables and other payables are short term in nature as at the reporting date, the carrying value is considered to be a reasonable approximation of fair value.

*Other financial liabilities*

Other financial liabilities are initially measured at fair value, net of transaction costs. They are subsequently measured at amortised costs using the effective interest method, with interest recognised on an effective rate basis.

***Inventory valuation***

Inventories are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition.

***Share based payments***

The Company issues equity-settled share-based payments to certain employees and these payments are measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of the grant using appropriate pricing models. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of shares that will eventually vest and adjusted for the effect of non-market-based vesting conditions.

At the date of each statement of financial position, the Company revises its estimate of the number of equity instruments that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment is made to equity over the remaining vesting period. The fair value of the awards and ultimate expense are not adjusted on a change in market vesting conditions during the vesting period.

The value of share-based payment is taken directly to reserves and the charge for the period is recorded in the income statement. Itaconix's scheme, which awards shares in the parent entity, includes recipients who are employees in all subsidiaries. In the consolidated financial statements, the transaction is treated as an equity-settled share-based payment, as Itaconix has received services in consideration for equity instruments. An expense is recognised in the Group income statement for the fair value of share-based payment over the vesting year, with a credit recognised in equity.

In the subsidiaries' financial statements, the awards, in proportion to the recipients who are employees in said subsidiary, are treated as an equity-settled share-based payment, as the subsidiaries do not have an obligation to settle the award. An expense for the grant date fair value of the award is recognised over the vesting year, with a credit recognised in equity. The credit is treated as a capital contribution, as the parent is compensating the subsidiaries' employees with no cost to the subsidiaries as there is no expectation to recharge the cost. In the parent company's financial statements, there is no share-based payment charge where the recipients are employed by a subsidiary, with the parent company recognising an increase in the investment in the subsidiaries as a capital contribution from the parent and a credit to equity.

***Equity instruments***

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs. Dividends and distributions relating to equity instruments are debited direct to equity.

***Exceptional items***

The Group has classified the organizational restructuring, the fair value adjustment of the contingent consideration, and the impairment of the goodwill and other intangible assets as exceptional items in the income statement. These items are not considered to reoccur and are of such significance to the results that they have been presented as exceptional to provide a fair and balanced presentation in the financial statements.

**4. Critical accounting assumptions and key sources of estimation uncertainty**

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent assets and liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

***Judgements and estimates***

In the process of applying the Group's accounting policies, management has made a number of judgements and estimates. Those which have the most significant effect on the amounts recognised in the financial statements are summarised below:

***Judgements******Valuation of contingent consideration***

The value of any contingent consideration is also reviewed at each period end by way of comparison to the value of expected future payments, as estimated using appropriate methodologies, e.g. discounted cash flow techniques. See Note 19 for further details.

***Accounting for the investment in Alkalon***

On 29 May 2019, the Group sold its interest in Alkalon as the final divestment in the nicotine gum business. As part of the sale agreement Alkalon's shareholder, indemnified the Group of the contingent liabilities for Alkalon's CMO's payment obligations and annual orders for product minimums. Prior to the sale, management would review the appropriateness of the equity accounting for the investment in Alkalon under IAS 28 as an associate. At each period end the carrying value of the investment in Alkalon is also reviewed for impairment with a view to assessing recoverability.

***Fair value of Group indebtedness (Company only)***

The fair value of amounts owing from group companies is impaired in those cases where the subsidiary is, at the balance sheet date, both illiquid and not yet generating positive cash flows, or otherwise highly unlikely to repay such indebtedness (See Note 16).

***IFRS 16 – Lease Accounting - lease term, non-lease components***

The determination of the lease term for some lease contracts of the group is based on the consideration as to whether the Group is reasonably certain to exercise lessee options.

Judgement is applied to determine whether common area expenses paid to the landlord are determined to be lease or non-lease payments. Consideration is made to the nature and variability of costs incurred and other terms within such arrangements. (See Note 21)

***Estimates******Valuation of contingent consideration***

The value of any contingent consideration is also reviewed at each period end by way of comparison to the value of expected future payments, as estimated using appropriate methodologies, e.g. discounted cash flow techniques. See Note 19 for further details.

***Share based payment cost***

The estimation of share based payment costs requires the selection of an appropriate valuation model, considerations as to the inputs necessary for the valuation model chosen and the estimation of the number of awards that will ultimately vest, inputs for which arise from judgements relating to the probability of meeting non-market performance conditions and the continuing participation of employees (See Note 24).

***IFRS 16 – Lease Accounting - Incremental borrowing rate***

The determination of the incremental borrowing rate used to measure lease liabilities and the right-of-use asset at inception of a lease or on transition requires judgement to determine the rate appropriate for the group.

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 5. Revenue

Revenue recognised in the Group income statement is analysed as follows:

	2019 \$'000	2018 \$'000
Sale of goods	<u>1,288</u>	<u>881</u>
	<u>1,288</u>	<u>881</u>
<b><i>Geographical information</i></b>		
	2019 \$'000	2018 \$'000
North America	1,128	650
Europe	160	222
Asia	-	9
	<u>1,288</u>	<u>881</u>

The revenue information is based on the location of the customer.

### ***Segmental information***

The revenue information above is derived from the continuing operations. The Group therefore has one segment - the Specialty Chemicals segment which designs and manufactures proprietary specialty polymers to meet customers' needs in the home care and industrial markets and in personal care.

Net assets of the Group are attributable to geographical location as at 31 December 2019.

	2019 \$'000	2018 \$'000
Europe	(2,195)	115
North America	<u>1,198</u>	<u>174</u>
	<u>(997)</u>	<u>289</u>

## 6. Other operating income

Other operating income arises mainly from grants and research income and sale of fixed assets. Since it is not considered to be part of the main revenue generating activities, the group presents this income separately from revenue.

	2019 \$'000	2018 \$'000
Grant and research income	94	129
Loss on sale of assets	<u>(32)</u>	<u>-</u>
	<u>62</u>	<u>129</u>



# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 7. Group operating loss

This is stated after charging:

	2019 \$'000	2018 \$'000
Auditor's remuneration:		
Audit of the financial statements	10	13
Audit of the subsidiaries	76	75
Non-audit services	6	9
Total fees	<u>92</u>	<u>97</u>
Equity settled share based payment expense	24	304
Employer's national insurance (credit) associated with vested share options	(16)	(38)
Depreciation of owned assets	223	347
Amortisation of right-of-use assets	198	-
Operation lease expense:		
– land and buildings	-	443
Research and development expenditure	101	238
Foreign exchange differences	56	64

On 1 June 2018, the Group announced an operational update regarding the restructuring of its UK subsidiary to focus the Group's resources on growing revenues of its core products. The Group's activities were consolidated into its US operations, thereby improving the link between product support and manufacturing. The Group incurred a one-time exceptional cost of \$1,190k to restructure the UK subsidiary, to pay Director's and staff redundancy payments, lease termination, and facility clean-up costs.

## 8. Staff costs

Staff costs for the Group, including Directors, consist of:

	2019 \$'000	2018 \$'000
Wages and salaries	1,457	3,751
Invoiced by third parties	8	20
Post-employment benefits	35	132
Equity settled share based payment expense	24	304
	<u>1,524</u>	<u>4,207</u>

Details of Directors' fees are included in the Directors' Remuneration Report on page 19 to 20.

Details of key management personnel fees are included in Note 25.

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2019

The average monthly number of Group employees, including Directors, during the year was made up as follows:

	2019 No.	2018 No.
Executive Directors	1	2
Non-executive Directors	3	5
Research and development	5	14
Finance and administration	2	4
Sales	2	4
Production	2	2
Contract staff	1	1
	<u>16</u>	<u>32</u>

Itaconix plc had no employees other than the Directors.

## 9. Finance income

	2019 \$'000	2018 \$'000
Interest receivable on bank deposits	<u>1</u>	<u>4</u>

## 10. Taxation

	2019 \$'000	2018 \$'000
Corporation tax credits		
Prior years' corporation tax credits	7	28
Reduction in deferred tax liability on IP amortisation	-	-
Current year corporation tax liability	(8)	(8)
Current year corporation tax credits	<u>-</u>	<u>167</u>
Corporation tax credits	<u>(1)</u>	<u>187</u>

During the year ended 31 December 2019, the Group had a taxation expense of (\$1k) (2018: credit of \$187k), \$7k of which relates to R&D tax credits estimated to be claimable on qualifying expenditure for the year ended 31 December 2018, but also including a provision of \$8k for US taxation payable in respect of 2019 by the US subsidiary. The amount of R&D tax credits actually received in the year of \$174k relates to the submitted R&D tax claims for the year ended 31 December 2018.

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2019

## Total tax on loss on ordinary activities

The tax for the year can be reconciled to the loss per the income statement as follows:

	2019 \$'000	2018 \$'000
Loss before tax relief	<u>(1,357)</u>	<u>(10,055)</u>
Loss on ordinary activities multiplied by standard UK corporation tax rate of 19%	(258)	(1,875)
Effects of:		
Disallowed expenses & non-taxable income	(245)	485
Adjustments in respect of prior periods	-	(28)
Other timing differences	(7)	860
Surrender of tax losses for R&D tax credit	-	222
Movement in deferred tax not recognised	511	316
Current year R&D tax credit	-	(167)
Total tax credit for the year	<u>1</u>	<u>(187)</u>
Release of previously recognised deferred tax liability (shown on the face of the income statement due to its nature)	-	-
Corporation tax credit	<u>1</u>	<u>(187)</u>

The Group tax credit relates to continuing operations in the year.

## Deferred tax

The Group has the following net deferred tax asset which is not recognised:

	2019 \$'000	2018 \$'000
Accelerated capital allowances	1	1
Other timing differences	36	29
Tax losses carried forward	9,636	9,168
Share based payments	5	33
	<u>9,678</u>	<u>9,230</u>

The net deferred tax asset is not recognised as there is insufficient evidence of future taxable profits against which the asset will be available for offset. Certain operating losses will expire in 2030 if not profits are generated to offset the loss carry forwards, these losses are also subject to certain regulatory restrictions.

## Tax rate and tax rate changes

The main rate of UK corporation tax was 19% from 1 April 2015. This will fall to 17% for the year beginning 1 April 2020 however subsequent to the year-end legislation was updated such that the rate will revert to 19% in 2020.

The US federal tax rate is 21% as of 1 January 2018.

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 11. Loss per share

Basic loss per share is calculated by dividing the loss attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year.

	2019 \$'000	2018 \$'000
Loss for the purposes of basic and diluted loss per share	<u>(1,358)</u>	<u>(9,868)</u>
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share ('000)	<u>269,130</u>	<u>156,971</u>
<b>Basic and diluted loss per share</b>	<b><u>(0.5)</u></b>	<b><u>(6.3)</u></b>

The loss for the period and the weighted average number of ordinary shares for calculating the diluted earnings per share for the period to 31 December 2019 are identical to those used for the basic earnings per share. This is because the outstanding share options (Note 24) would have the effect of reducing the loss per ordinary share and would therefore not be dilutive.

## 12. Investment in subsidiary undertakings

In prior years, management has fully impaired the intangible assets arising on acquisition of Itaconix Corporation and has also impaired the value of the investment in Itaconix Corporation in the Company balance sheet proportionate to its shareholding. Impairment was calculated by comparing the asset carrying values with the value in use of the relevant cash generating unit, using discounted cash flow techniques. Notwithstanding this, it still expects the Group to become a profitable specialty chemicals business in the medium term.

	Company \$000
At 1 January 2018	763
Foreign translation adjustment	<u>247</u>
At 31 December 2018	<b>1,010</b>
Foreign translation adjustment	<u>43</u>
At 31 December 2019	<b><u>1,053</u></b>

Name	Principal activity	Place of incorporation and operation	Proportion of ownership interest
Direct investments			
Itaconix (U.K.) Limited <sup>(1)</sup>	UK operating company	England	100%
Itaconix EBT Limited <sup>(1)(3)</sup>	Trustee of Itaconix employee benefit trust	England	100%
Indirect investments			
Itaconix Corporation <sup>(2)</sup>	Trading US subsidiary of Itaconix (U.K.) Ltd	USA	100%

(1) The registered address is Fieldfisher, LLP, Riverbank House, 2 Swan Lane, London, EC4R 3TT, UK

(2) The registered address is 2 Marin Way, Stratham, NH 03885, USA

(3) On 13 December 2019, the Company changed name from Revolymer EBT Limited to Itaconix EBT Limited.

### 13. Investment in associate undertakings

During May 2019, the Group completed its divestment in the nicotine gum business when the Group sold its holdings (22.49%) in its associate, Alkalon A/S (Alkalon), to the associate's existing shareholders for \$244k. This netted a gain on the sale of associate of \$84k. Loan and interest of \$63k were also recovered. As part of the transaction, the associate's existing shareholders provided indemnification protecting the Group against any exposure from the guarantees noted below. Further details of this event are noted in Note 27.

Alkalon was accounted for using the equity method in the consolidated financial statements. The acquisition was considered to be a long term investment. The carrying value of the investment at the period end was arrived at as described below.

	\$'000
Fair value of Alkalon investment at 1 January 2018	-
Increase in investment at 30 April 2018	35
Reclassification from impairment on loan to the investment in associate	20
Reversal of impairment	117
Share of profit of equity-accounted investees, net of tax	3
Gain on foreign exchange	(8)
Fair value of Alkalon investment at 31 December 2018	167
Impairment of investment	(5)
Share of loss of equity-accounted investees, net of tax	(33)
Sale of investment at 29 May 2019	(129)
Fair value of Alkalon investment at 31 December 2019	-

Name	Principal activity	Place of incorporation and operation	Proportion of ownership interest
Alkalon A/S (from 31 October 2016)	Trading Danish associate of Itaconix (U.K.) Ltd	Denmark	15%
Alkalon A/S (from 22 June 2017)	Trading Danish associate of Itaconix (U.K.) Ltd	Denmark	17%
Alkalon A/S (from 30 April 2018)	Trading Danish associate of Itaconix (U.K.) Ltd	Denmark	22%
Alkalon A/S (from 29 May 2019)	Trading Danish associate of Itaconix (U.K.) Ltd	Denmark	-%

The associate had no contingent liabilities or commitments as at 31 December 2018.

During 2018, jointly and severally with all the other shareholders, the Group has provided further guarantees to Alkalon's contract manufacturer (CMO) up to a maximum EUR 0.8m (approximately USD 1.0m), callable should Alkalon not meet its payment obligations to the CMO and/or not meet minimum annual orders for product. These guarantees reduce by EUR 0.1m (approximately USD 0.2m) every year for 4 years, down to a maximum of EUR 0.3m (approximately USD 0.4m). Management did not expect these guarantees to be called, and none were called in the period. Accordingly, no liability has been recorded at 31 December 2018. In 2019 and as part of the sale agreement Alkalon's shareholder, indemnified the Group for the contingent liabilities for Alkalon's CMO's payment obligations and annual orders for product minimums.

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 14. Property, plant and equipment

Group	Computer and office equipment \$'000	Plant and equipment \$'000	Short Leasehold improvements \$'000	Total \$'000
<b>Cost</b>				
At 1 January 2018	268	2,840	462	3,570
Additions	–	–	–	–
Disposals	(243)	(1,556)	(366)	(2,165)
At 31 December 2018	25	1,284	96	1,405
Additions	–	39	–	39
Impairment	–	(43)	–	(43)
Disposals	–	(44)	–	(44)
At 31 December 2019	<b>25</b>	<b>1,236</b>	<b>96</b>	<b>1,357</b>
<b>Accumulated depreciation</b>				
At 1 January 2018	219	1,646	381	2,246
Charge	24	250	22	296
Eliminated on disposal	(223)	(1,532)	(354)	(2,109)
At 31 December 2018	20	364	49	433
Charge	5	199	19	223
Eliminated on disposal	–	–	–	–
At 31 December 2019	<b>25</b>	<b>563</b>	<b>68</b>	<b>656</b>
<b>Carrying Amount</b>				
At 31 December 2019	–	<b>673</b>	<b>28</b>	<b>701</b>
At 31 December 2018	5	920	47	972

At the end of 2018, the Group held certain assets for sale that were used in at the UK subsidiary, but due to the reorganization were no longer needed. These assets were placed for sale in 2019 and were impaired at the end of year.

## 15. Inventories

Group	2019 \$'000	2018 \$'000
Raw materials	42	108
Work in progress	4	19
Finished goods	469	260
Inventory reserve	(11)	–
	<b>504</b>	<b>387</b>

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 16. Trade and other receivables

Current assets	Group		Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Trade receivables	247	152	–	–
Amounts due from associate	–	35	–	–
Amounts owed by Group companies	–	–	–	712
Other receivables	84	720	36	11
	<b>331</b>	<b>907</b>	<b>36</b>	<b>723</b>

Trade receivables are non-interest bearing and are generally on 30 day terms.

As at 31 December 2019, the unsecured shareholder loan and related accrued interest of \$63k, due from its associate Alkalon, was repaid as part of the sale transaction. At 31 December 2018, the unsecured shareholder loan to its associate Alkalon remained outstanding as the primary credit facility with Danske Bank, remained outstanding. The initial term of the loan agreement was 12 months from June 2017 and the interest rate of 4.5%. During 2018, the loan that had become past due was impaired \$24k, as management was uncertain of the financial status of repayment.

As at 31 December 2019, a provision of \$nil (2018: \$nil) has been made to trade receivables that were considered to be impaired. Amounts due from group undertakings have been classified as current. The Company does not consider any of the amounts due from group undertakings to be overdue.

Included within other receivables is \$nil (2018: \$174k) of R&D tax credit receivables (see Note 10).

In respect of the Company

- The loss for the year includes a release of fair value impairment of group indebtedness of \$nil resulting from a movement in provisions for this indebtedness (2018: \$nil).
- As at 31 December 2019 the balance of the fair value of impaired debt from Group undertakings is \$43,472k (2018: \$41,308k).
- There are no significant doubts as to the future recoverability of these balances, and as such, no provision for bad and doubtful debts has been raised against the amounts due from group undertakings, however to the extent the counter party is unable to do so, the Group does not intend to recall the amounts due, within one year.

As at 31 December, the analysis of trade receivables that were past due but not impaired is as follows:

Group	Total \$'000	Neither past due nor impaired \$'000	<30	30–60	60–90	90–120	>120
			days \$'000	Days \$'000	days \$'000	days \$'000	Days \$'000
2019	247	–	155	36	14	2	40
2018	152	–	90	36	21	1	4

The fair value of amounts owing from Group companies to the Company has been impaired to the extent the subsidiary is, at the balance sheet date, both illiquid and not yet generating positive cash flows, or otherwise unlikely to repay such indebtedness. The Group provides against trade receivables where there are significant doubts as to future recoverability based on prior experience, on assessment of the current economic climate and on the length of time that the receivable has been overdue.

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2019

Non-current assets	Group		Company	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Amounts owed by Group companies	–	–	–	3,291
	<u>–</u>	<u>–</u>	<u>–</u>	<u>3,291</u>

## 17. Cash and cash equivalents

Cash and cash equivalents comprise cash held by the Group and short-term bank deposits with a maturity of less than three months. The carrying amount of these assets approximates their fair value.

Analysis of cash and cash equivalents disclosed in the cash flow statement:

	Group		Company	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Cash at bank and in hand	<u>765</u>	<u>2,655</u>	<u>240</u>	<u>2,194</u>

## Credit, liquidity and market risk

The Group's principal financial assets are bank balances. The credit risk on these assets is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies. The Directors have carefully reviewed the carrying value of the Group's financial assets and consider that at the date of this report no impairment in those values is anticipated.

## 18. Trade and other payables and lease liabilities

### Current liabilities

	Group		Company	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Trade payables and other payables	307	161	65	37
Other payables and accruals	400	747	274	53
Lease liabilities (Note 21)	320	–	–	–
	<u>1,027</u>	<u>908</u>	<u>339</u>	<u>90</u>

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



**19. Contingent Consideration**

	Contingent consideration			
	Group		Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
As at 1 January	3,891	819	3,891	819
Restructuring of contingent consideration	–	2,797	–	2,797
Movement in fair value and discounting unwind	(1,474)	(48)	(1,474)	(48)
Foreign exchange effect	24	323	24	323
As at 31 December	<u>2,441</u>	<u>3,891</u>	<u>2,441</u>	<u>3,891</u>
Current	–	–	–	–
Non-current	<u>2,441</u>	<u>3,891</u>	<u>2,441</u>	<u>3,891</u>

As part of the purchase agreement with the previous owners of Itaconix Corporation, a contingent consideration was agreed with certain of the sellers (the “Sellers”). This would be payable to the Sellers, subject to the achievement of revenue targets for products based on the technology acquired for the calendar years 2017 to 2020, based on 50% of incremental annual net sales value above \$3m in 2017 and in excess of the prior year for 2018 to 2020 inclusive (and no less than \$3m). The deferred performance-related consideration is capped at \$6m in aggregate. Such deferred performance consideration, if any, would be satisfied annually entirely in new ordinary shares of Itaconix plc at the then prevailing price.

During 2018, in conjunction with the fund raise, a restructuring of the contingent consideration was executed. The contingent consideration was restructured into two components:

- A one-time issue of 15 million new Itaconix plc shares to the Sellers.
- The continuation of the previous contingent consideration mechanism (i.e. up to \$6m in shares), but with the window of time for potential achievement expanded to the end of 2023 (from the end of 2020) and including all the revenues of the Group (which are primarily from products based on the acquired technology in any event).

It should also be noted that the second component summarised above is intended to serve as an incentive programme for the two members of management (John Shaw and Yvon Durant) who are also Sellers and are entitled to 63% of the total contingent consideration (in both the existing and proposed construct). Accordingly, they will not be eligible for any cash bonus or other share incentive programme for the years 2018 to 2020 inclusive. Simultaneously, the merger agreement with the former shareholders of Itaconix Corporation and related agreements will be amended to remove various restrictive clauses, including minimum funding requirements and employment terms.

Based on the share price at the execution of the restructuring agreement in 2018, the 15m shares had a value of £0.3m which was expensed immediately.

In respect of 2019, the deferred consideration was valued using a discounted cash flow-based assessment of the expected sales of the relevant products extracted from the latest Board approved forecasts, consistent with the approach in prior years. A discount rate of 11.2% was used (2018: 11.2%). The valuation includes elements which are unobservable and which have a significant impact on the fair value. Accordingly, contingent consideration is classified as Level 3 fair value measurement.

The value of the adjusted contingent component using the latest Board approved forecasts and assumptions as above is \$2.4m (2018 - \$3.9m)

As a result of the changed revenue forecasts, earn out period, and discount rate from the original value assessments, the contingent consideration at 31 December 2019 was reduced to \$2.4m. Sensitivity analysis was also performed, summarised as follows:

- If the sales in the period 2020 to 2022 were reduced by \$1.0m, the fair value would be reduced by approximately \$0.4m
- A 1% increase in the discount rate would reduce the fair value by \$55k

Since the forecasts used were a conservative base case, the computed fair value was deemed appropriate.

## 20. Financial instruments

### Financial risk management objectives and policies

Itaconix principal financial liabilities comprise trade and other payables and borrowings. The primary purpose of these financial liabilities is to finance the operation. Itaconix has trade and other receivables and cash that derive directly from its operations.

The Company has limited financial liabilities as its primary purpose is to hold investments in other Group companies. The Company's receivables largely relate to funding the operations of Itaconix.

	Group		Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
<b>Financial assets</b>				
Cash	765	2,655	240	2,194
Trade and other receivables	331	907	36	723
Intercompany receivable	-	-	-	-
<b>Financial liabilities</b>				
Trade and other payables	(707)	(908)	(339)	(90)
Lease liabilities	(1,070)	-	-	-
Contingent consideration	(2,441)	(3,891)	(2,441)	(3,891)
	<u>(3,122)</u>	<u>(1,237)</u>	<u>(2,504)</u>	<u>(1,064)</u>

The Directors consider that the carrying amount for all financial assets and liabilities approximates to their fair value.

### Financial risk management

The group is exposed to market risk, which includes interest rate risk and currency risk, credit risk and liquidity risk. The senior management oversees the management of these risks and ensures that the financial risk taken is governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with Itaconix's policies and risk appetite.

#### Liquidity risk

Itaconix seeks to manage financial risk by ensuring adequate liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. Short-term flexibility is achieved by holding significant cash balances in Itaconix's main operational currencies, notably UK Sterling and US Dollar.

#### Credit risk

The principal credit risk for Itaconix arises from its trade receivables. In order to manage credit risk, new customers undergo credit review and customer accounts are regularly reviewed for debt ageing and collection history. As at 31 December 2019, there were no significant credit risk balances.

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2019

Credit risk from cash balances with banks and financial institutions is managed in accordance with group policy. Credit risk with respect to cash is managed by carefully selecting the institutions with which cash is deposited

The financial assets of the Group comprise cash at banks, trade receivables and other receivables. Having reviewed the recoverability of Itaconix's financial assets since the reporting date, as well as the likelihood of future losses over the next 12 months and the lifetime of the assets, the Board does not consider it necessary to recognise any credit losses.

## **Interest rate risk**

The Group finances its operations principally from equity funding and has no debt. Therefore the downside risk associated with changes in interest rates is minimal. No sensitivity analysis has been presented for changes in interest rates as these do not have a material impact on the loss before tax.

## **Currency risk**

During the year, the Group received revenue in USD, EURO and GBP, whilst the majority of its cost base is in USD. These receipts are currently relatively small and tend to be used first to cover costs in the same currency before conversion to USD, and so currency risk impacting cash balances is deemed to be appropriately managed. Intercompany loans from Itaconix plc to Itaconix Corporation to fund the US operations is denominated in GBP and so is translated to USD each period end, potentially resulting in significant debits or credits to the Company's profit and loss but with no cash or other impact on the Group as the loan is eliminated on consolidation. Management notes that such foreign exchange movements are non-cash items. No forward foreign exchange contracts were entered into during the period (2018: nil). At 31 December 2019 the bank balances on hand of foreign currencies were:

<b>Currency</b>	<b>2019</b>	<b>2018</b>
GBP	<b>367,025</b>	1,796,758
CAD	-	66,017
EUR	<b>77,789</b>	50,891

The foreign currency balances are in aggregate higher than at the end of 2019, which is due to the US-based Itaconix Corporation being the main operating entity. No sensitivity analysis has been presented for changes in currency exchange rates, although management will keep the need for sensitivity analysis under regular review going forward.

## **Liquidity risk**

The Group seeks to manage financial risk, to ensure sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. The Group's policy through the period has been to ensure continuity of funding by equity. The table below summarises the maturity profile of the Group's financial liabilities at the year-end based on contractual undiscounted payments, specifically noting that the lease liability total is determined as the undiscounted lease payments including interest payable.

At 31 December 2019:

<b>Group</b>	<b>On demand</b>	<b>Less than 3 months</b>	<b>3 to 12 months</b>	<b>1 to 5 years</b>	<b>&gt; 5 years</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Trade and other payables	-	<b>394</b>	<b>313</b>	-	-	<b>707</b>
Contingent consideration	-	-	-	<b>2,441</b>	-	<b>2,441</b>
Lease liability	-	<b>96</b>	<b>288</b>	<b>1,195</b>	-	<b>1,579</b>
	-	<b>490</b>	<b>601</b>	<b>3,636</b>	-	<b>4,727</b>

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2019

At 31 December 2018:

Group	On demand \$000	Less than 3 months \$000	3 to 12 months \$000	1 to 5 years \$000	> 5 years \$000	Total \$000
Trade and other payables	–	161	747	–	–	908
Contingent consideration	–	–	–	3,891	–	3,891
	–	161	747	3,891	–	4,799

All of the trade and other payables balances (\$339k) of the Company are due for payment in less than three months (2018: \$90k less than three months)

The range of interest rates applicable to instant access deposit accounts and term deposits at 31 December 2019 was 0.25% to 1.00% per annum (2018: 0.25% to 1.00%).

### Capital risk management

The Group manages its capital to ensure that it will be able to continue as a going concern while also maximizing the operational potential of the business. The capital structure of Itaconix consists of cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued capital and reserves as disclosed in the consolidated statement of changes in equity. Itaconix is not exposed to externally imposed capital requirements.

### Committed facilities

The Group has no floating rate committed borrowing facilities as at 31 December 2019 (2018: nil).

There are no material differences between the fair value of financial instruments and the amount at which they are stated in the financial statements. This is due to the fact that they are of short maturity and if payable on demand the fair value is not materially different from the carrying value.

## 21. Leases

The Group leases all its facilities from which it operates. The headquarters, production, and main offices are located in Stratham, NH, USA. The facility is approximately 31,000 square feet and the lease expired in September 2019. Management renewed the lease for a 5-year extension, through to September 2024. Lease payments to September 2024 have been included in the initial recognition of the lease liability. There is another office facility in Deeside, Flintshire, UK that expires in July 2021. At 31 December 2018 and under IAS 17, the Group recognized this lease as an onerous lease.

With effect from 1 January 2019, the Group has adopted IFRS 16 Leases, which specifies how to recognize, measure, and present leases liabilities and the associated right-of-use assets. The Group has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new accounting standard are therefore recognized in the opening balance sheet on 1 January 2019 and comparatives have not been restated. In respect of the Group's former headquarters in the UK, the group has applied practical expedient to retain the IAS 17 valuation of this onerous lease of \$0.3m, this being set off against the right-of-use asset at 1 January 2019.

On initial application, the Group recognized lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17: Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's weighted average incremental borrowing rate as at 1 January 2019 of 7.75%. The Group has elected to record right-of-use assets as equal to the corresponding lease liabilities as the impact of potential additional costs or deductions to the assets are immaterial.

In applying IFRS 16 for the first time, the Group used practical expedients permitted by the standard:

- reliance on previous assessments on whether leases are onerous;
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2019

The Group has also elected not to reassess whether a contract is or contains a lease at the date of initial application. Instead, for contracts entered into before the application date, the Group has relied on its assessment made applying IAS 17 and IFRIC 4 in determining whether an arrangement is or contains a lease.

## Right-of-use asset

	<b>Leased Building</b>
	<b>\$'000</b>
At 1 January 2019	1,118
Amortisation	(198)
Exchange differences	-
At 31 December 2019	<u>920</u>

## Lease liability

	<b>Leased Building</b>
	<b>\$'000</b>
At 1 January 2019	1,384
Additions in year	-
Interest expense	14
Lease payments	(334)
Exchange differences	6
At 31 December 2019	<u>1,070</u>

The above table also provides an evaluation of the material changes in the Group's liabilities arising from financial activities, as noted in the Group's Cashflow.

At 31 December 2019, the maturity of the lease liability is as follows:

	<b>Up to 3 months</b>	<b>Between 3</b>	<b>One to two years</b>	<b>Two to five years</b>
	<b>\$'000</b>	<b>months and 12</b>	<b>\$'000</b>	<b>\$'000</b>
		<b>months</b>		
		<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Leased building	82	238	274	476

The following table sets out the impact of adopting IFRS 16 on the financial position of the Group at 1 January 2019:

	As presented at 31 December 2018	IFRS 16 Adjustments	At 1 January 2019
<b>Asset</b>			
Right-of-use asset (a)	-	1,384	1,384
Accrual – IAS 17 (c)	-	(266)	(266)
	-	1,118	1,118
<b>Liability</b>			
Lease liability (b)	-	(1,384)	(1,384)
Accrual – IAS 17(c)	(266)	266	-
	(266)	(1,118)	(1,384)
<b>Equity</b>			
Retained earnings	(90,887)	-	(90,887)

(a) The adjustment to right-of-use asset is related to all operating type lease assets

(b) The table below reconciles the minimum lease commitments disclosed in the Group's 31 December 2019 annual financial statements to the amount of the lease liabilities recognized on 1 January 2019.

(c) The adjustment to provisions related to an onerous lease provision reclassified to the right-of-use asset on the adoption of IFRS 16.

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2019

The following table sets out the impact of adopting IFRS 16 on the financial position of the Group at 1 January 2019:

	<b>Leased Building \$'000</b>
Minimum operating lease commitment at 31 December 2019	441
Effect of extension options reasonably likely exercised	1,235
Undiscounted lease payments	(292)
Effect of discounted at Group's incremental borrowing rate	-
Lease liabilities recognized at 1 January 2019	<u>1,384</u>

## 22. Share capital

	<b>Group \$000</b>	<b>Company \$000</b>
At 1 January 2018 (78,717,948 shares in issue)	1,205	1,205
<b>Issued as a result of an exercise of options</b>		
02/08/18 – 577,530	–	–
<b>New share issued</b>		
03/08/18 – 15,000,000	195	195
03/08/18 – 174,834,593	<u>2,277</u>	<u>2,277</u>
At 31 December 2018 (269,130,071 shares in issue)	3,677	3,677
<b>Issued as a result of an exercise of options</b>		
Nil	–	–
<b>New share issued</b>		
Nil	–	–
At 31 December 2019 (269,130,071 shares in issue)	<u>3,677</u>	<u>3,677</u>

Itaconix plc (previously Revolymer plc) was incorporated on 10 April 2012.

On 3 August 2018 the Company issued 15,000,000 ordinary shares with a nominal value of 1p per share for 2p per share as part of the restructuring of the contingent consideration for the acquisition of Itaconix Corp (See Note 19).

On 3 August 2018, the Company issued 174,834,593 ordinary shares with a nominal value of 1p per share for 2p per share. The consideration was received in cash.

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 23. Notes to the statements of cash flow

	Group		Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Loss before tax	(1,358)	(10,055)	(4,894)	(11,908)
Depreciation of property, plant and equipment	223	296	–	–
Amortisation of right-of-use asset	198	–	–	–
Disposal of equipment	42	(19)	–	–
Impairment of Group indebtedness	–	–	6,169	8,427
Revaluation of deferred consideration	(1,450)	3,072	(1,450)	3,072
Loss / (gain) on foreign exchange	48	(193)	182	(154)
Gain on sale of associate	(84)	–	–	–
Share based payments charge	24	304	24	304
Share of loss / profit from associate	38	(120)	–	–
Recovery of loan to associate	(29)	–	–	–
Taxation	(1)	187	–	–
Operating cash flows before movements in working capital	(2,349)	(6,528)	31	(259)
Increase in inventories	(117)	(21)	–	–
Decrease in receivables	542	20	(27)	374
Increase / (decrease) in payables	93	(444)	206	4
Net cash outflow from continuing operating activities	(1,831)	(6,973)	210	119

## 24. Share based payments

An expense is recognised for share based payments based on the fair value of the awards at the date of grant, the estimated number of shares that will vest and the vesting period of each award. The charge for share based payments for the period to 31 December 2019 is \$24k (2018: \$304k) as disclosed in Note 8.

During the year to 31 December 2019 no share options (2018: nil) were granted under the Itaconix LTIP scheme as either approved options (under the HMRC approved EMI scheme) or unapproved options. The management team received nil cost share options (either HMRC approved or unapproved) with market facing performance conditions required for vesting (“Management Options”). The fair value of Management Options as at the date of grant was therefore estimated using a Monte Carlo simulation model. The remaining employees did not receive share options under the EMI scheme (and with an exercise price of the market price as at the date of grant) (“Employee Options”). Accordingly the fair value of the Employee Options was estimated as at the date of grant using a Black Scholes model. Both models took into account the terms and conditions upon which the options were granted using the following assumptions.

### Grant date

	Unapproved Management Options	EMI Management Options	EMI Employee Options
2017 Option Grant			
Number of options granted	2,096,282	1,582,127	834,051
Exercise price	£nil	£nil	£0.235
Expected volatility	33.1%	33.1%	33.1%
Risk free rate	0.4%	0.4%	0.4%
Expected dividend yield	0%	0%	0%
Expected option life	36 months	36 months	36 months

The Employee Options have a vesting period of 36 months with no performance criteria. The vesting period of the Management Options is also 36 months but they only become exercisable if challenging market facing performance conditions are met; namely that 50% of the grant becomes exercisable if the weighted average ordinary share price in the 180 day period ending on 31 May 2020 of grant is £0.40. Between weighted average ordinary share prices of £0.40 and £0.55, vesting shall be pro-rata and on a straight line basis between 50% and 100%. Below £0.40 the grants are not exercisable and lapse in full.

The valuation methodology used in valuing share based payments includes the key assumptions shown above. Management have revisited and amended the assumptions in respect of expected volatility and risk free rate in the year to 31 December 2019. The charge for share based payments for the period to 31 December 2019 is accordingly \$24k (31 December 2018 \$304k).

### ***Employee share option plan – unvested options***

During the year the Company operated an employee share option plan (“the EMI plan”) for the benefit of certain employees of the Company.

All options granted in the year are subject to the employee completing a specified period of service. All options lapse when the employee ceases to be employed by the Company.

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, unvested share options outstanding under the “EMI plan” during the year:

<b>Unvested</b>	<b>2019</b>		<b>2018</b>	
	<b>Number of shares</b>	<b>WAEP</b>	<b>Number of shares</b>	<b>WAEP</b>
Balance at beginning of year	<b>1,892,396</b>	<b>£0.04</b>	3,741,837	£0.14
Awarded during year	–	£nil	–	£nil
Lapsed during the year	<b>(1,755,537)</b>	<b>£0.02</b>	(1,849,441)	£0.36
Unvested options at end of year	<u>136,859</u>	£0.25	<u>1,892,396</u>	£0.04

### ***Unapproved share option plan – unvested options***

During the year, the Company operated a share option plan for the benefit of employees who had received grants under the EMI plan up to their personal limits.

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, unvested share options outstanding under the Unapproved plan during the year:

<b>Unvested</b>	<b>2019</b>		<b>2018</b>	
	<b>Number of shares</b>	<b>WAEP</b>	<b>Number of shares</b>	<b>WAEP</b>
Balance at beginning of year	<b>6,158,491</b>	£nil	4,062,209	£nil
Awarded during year	–	£nil	2,096,282	£nil
Lapsed during the year	<b>(5,264,550)</b>	£nil	–	–
Unvested options at end of year	<u>893,941</u>	£nil	<u>6,158,491</u>	£nil



# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2019

## Summary of all options – vested and unvested

The following table summarises the position regarding all share options whether vested or not, including those that vested at Admission in 2012:

Vested and unvested	2019		2018	
	Number of shares	WAEP	Number of shares	WAEP
Balance at beginning of year	6,915,677	£0.08	9,877,077	£0.08
Awarded during the year	–	£nil	–	£nil
Lapsed during the year	(5,884,877)	£nil	(2,070,333)	£nil
Exercised during the year	–	£nil	(891,067)	£0.01
Balance at end of year	<u>1,030,800</u>	<u>£0.07</u>	<u>6,915,677</u>	<u>£0.08</u>

## 25. Related party transactions

### Transactions with key management personnel

#### Remuneration of key management personnel

The remuneration of the Directors, who are considered to be the key management personnel of the Company, is set out below in aggregate for each of the categories specified in IAS 24 'Related Party Disclosures'.

	2019 \$'000	2018 \$'000
Salaries and other short-term employee benefits	784	1,518
Post-employment benefits	18	44
Directors' fees invoiced by third parties	8	20
Equity settled share based payment expense	9	173
	<u>819</u>	<u>1,755</u>

### Other related party transactions

The Group entered into the following related party transactions during the current and prior year:

IP2IPO invoiced the Group for the services of Mr. Townend who has served on the Board of Itaconix plc until May 2019, when Mr. Townend stepped off the Board.

In 2019 the Group sold its investment in Alkalon and received payment for the outstanding loan and accrued interest as part of the sale of its investment. In 2018 the Group invoiced Alkalon for the travel expenses of the mutual board member Robin Cridland for attending the Alkalon board meetings in the year.

	Receipts from related parties \$'000	Payments to related parties \$'000	Amounts due to related parties \$'000	Amounts due from related parties \$'000
<b>2019</b>				
IP2IPO Services Limited	–	8	–	–
Alkalon A/S	61	–	–	–
<b>2018</b>				
IP2IPO Services Limited	–	20	5	–
Alkalon A/S	4	–	–	60

All related party transactions were made on terms equivalent to those that prevail in arm's length transactions. There have been no write-offs of related party balances during the year and there are no provisions against any related party balances. The terms and conditions of related party transactions are the same as those for other debtors and creditors.

### **26. Contingent assets**

There were no contingent assets in 2019 (2018 - nil).

### **27. Contingent liabilities**

During 2018, jointly and severally with all the other shareholders, the Group has provided further guarantees to Alkalon's contract manufacturer (CMO) up to a maximum EUR 0.8m (approximately USD 1.0m), callable should Alkalon not meet its payment obligations to the CMO and/or not meet minimum annual orders for product. These guarantees reduce by EUR 0.1m (approximately USD 0.2m) every year for 4 years, down to a maximum of EUR 0.3m (approximately USD 0.4m). Management does not expect these guarantees to be called, and none were up to and including the completed its divestment in Alkalon. Accordingly, no liability was recorded at 31 December 2018.

During 2019, the Group sold its interest in Alkalon for \$307k on 29 May 2019. As part of the divestment in Alkalon, the Group was indemnified for the contingent liabilities for Alkalon's CMO's payment obligations and annual orders for product minimums.

### **28. Post Balance Sheet Events**

In May 2020, Itaconix Corporation applied for a US Government Paychecks Protection Program Loan to support the business through the Covid-19 crisis. The Group received \$0.2m from the program to support the Group's employees and continue operations through the crisis.

In July 2020, the Group successfully raised gross proceeds of \$2.2 million (£1.8 million) via an oversubscribed placing and subscription from existing and new investors at the Issue Price of 1.1 pence (\$0.01375) per share. A total of 163,318,182 new Ordinary Shares have been placed. The net proceeds of the increased Placing and Subscription are expected to provide sufficient funding for the Company until at least the end of 2021 during which the Company expects to make significant progress towards its medium term plan.

In March 2020, the World Health Organisation declared a global pandemic due to the spread of Covid-19. The pandemic has restricted people's movements globally, and caused economic disruption and uncertainty to supply chain and customer stability. The impact of Covid-19 has been considered as part of the Group's going concern assessment with a focus on the impact on the Group's revenues, working capital and non-current assets. Management have considered the impact a non-adjusting balance sheet event.

Throughout the Covid-19 pandemic, the Group has maintained operations as an essential business. Efforts to conserve available cash were taken in March 2020 until the new funding in July 2020. While some customer formulation activities have slowed, the surge in demand for household detergents has significantly increased order volumes for the Group's detergent polymers. Effective customer engagement has continued without travel through adaptation and innovation in customer communication and engagement.

## Notice of Annual General Meeting

### IMPORTANT INFORMATION: IMPACT OF THE COVID-19 PANDEMIC ON THE ANNUAL GENERAL MEETING

Following the COVID-19 measures and guidance by the UK Government prohibiting, amongst other things large public gatherings, the Board will be implementing the following measures in respect of the Annual General Meeting in accordance with the provisions of the Corporate Insolvency and Governance Act 2020:

- we expect only one Director and another Shareholder representative to be in attendance in person at the venue for quorum purposes to conduct the business of the meeting;
- no other Directors will be present in person;
- Shareholders will not be permitted to attend the Annual General Meeting, and if they attempt to do so, will be refused entry to the meeting in line with the Government guidelines;
- relevant questions related to the Annual General Meeting from Shareholders can be raised in advance of the Annual General Meeting and in so far as is relevant to the business of the meeting, will be responded to by email and taken into account as appropriate at the Annual General Meeting itself. A presentation will also be made by the CEO after the Annual General Meeting which shareholders will be able to access through a virtual platform, to be announced. Access details for the presentation will be announced by the Company before the Annual General Meeting;
- voting at the Annual General Meeting will be carried out by way of poll so that votes cast in advance and the votes of all Shareholders appointing the Chairman of the meeting as their proxy can be taken into account; and
- as usual, the results of the Annual General Meeting will be announced as soon as practicable after it has taken place.

We trust Shareholders will understand and co-operate with these arrangements.

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting of Itaconix plc (the "**Company**") will be held at Hillside, Station Road, Warkworth, Northumberland, NE65 0XP, United Kingdom on Friday 23 October 2020 at 2.00 p.m. (the "**AGM**") to consider and, if thought fit, to pass the following resolutions, of which resolutions 1 to 7 will be proposed as ordinary resolutions of the Company and resolution 8 will be proposed as a special resolution of the Company.

1. To receive and consider the Company's Annual Report and Financial Statements for the year to 31 December 2019 (excluding the Directors' Remuneration Report).
2. To receive and consider the Directors' Remuneration Report contained in the Annual Report and Financial Statements for the year to 31 December 2019.
3. To re-appoint Bryan Dobson as a Director of the Company.
4. To re-appoint BDO LLP as auditors of the Company to hold office from the conclusion of the AGM to the conclusion of the next AGM at which accounts are laid before the Company.
5. To authorise the Directors to determine the remuneration of the auditors.
6. To amend the Itaconix 2019 Equity Incentive Plan by substituting the following in place of the existing section 3.1 of the Plan:

"3.1 Number of Shares. Subject to adjustment under Section 3.3, an aggregate of 5% of the issued and outstanding Shares as of 23 October 2020 may be issued pursuant to this Plan; provided, however, that no more than an aggregate of 7% of the issued and outstanding Shares as of 23 October 2020 may be issued pursuant to this Plan and Prior Plans. Notwithstanding any other provision of this Plan, no more than 5% of the issued and outstanding Shares as of 23 October 2020 (the "ISO Limit") may be issued pursuant to the exercise of Incentive Stock Options."

7. THAT in substitution for all existing authorities for the allotment of shares by the Directors, which are hereby revoked but without prejudice to any allotment, offer or agreement already made pursuant thereto, the Directors be and they are hereby generally and unconditionally authorised, pursuant to section 551 of the Companies Act 2006 (the "2006 Act") to exercise all the powers of the Company to:

(a) allot shares in the Company and to grant rights to subscribe for or to convert any security into such shares (all of which transactions are hereafter referred to as an allotment of "**Relevant Securities**") up to an aggregate nominal amount of £1,441,494.18; and

(b) allot Relevant Securities up to an aggregate nominal amount of £1,441,494.18 in connection with a rights issue, open offer, scrip dividend scheme or other pre-emptive offer which satisfies the conditions and may be subject to all or any of the exclusions specified in paragraph 8(b)(1) of the next following resolution,

in each case for a period expiring (unless previously renewed, varied or revoked by the Company in general meeting) at midnight on the date falling 15 months after the date of the passing of this resolution or at the conclusion of the next AGM of the Company following the passing of this resolution, whichever occurs sooner, provided that the Company may before such expiry, variation or revocation make an offer or agreement which would or might require such Relevant Securities to be allotted after such expiry, variation or revocation and the Directors may allot Relevant Securities pursuant to such an offer or agreement as if the authority conferred hereby had not expired or been varied or revoked.

8. THAT, subject to and conditional upon the passing of resolution 7, the Directors be and they are hereby empowered pursuant to section 570 of the 2006 Act to allot equity securities (within the meaning of section 560 of the 2006 Act) for cash pursuant to the authority conferred by resolution 7 as if section 561(1) of the 2006 Act did not apply to any such allotment, provided that such power:

(a) shall, subject to the continuance of the authority conferred by resolution 7, expire at midnight on the date falling 15 months after the date of the passing of this resolution or at the conclusion of the next AGM of the Company following the passing of this resolution, whichever occurs sooner, but may be previously revoked or varied from time to time by special resolution but so that the Company may before such expiry, revocation or variation make an offer or agreement which would or might require equity securities to be allotted after such expiry, revocation or variation and the Directors may allot equity securities in pursuance of such offer or agreement as if such power had not expired or been revoked or varied; and

(b) shall be limited to:

- (1) the allotment of equity securities pursuant to a rights issue, open offer, scrip dividend scheme or other pre-emptive offer or scheme which is in each case in favour of holders of ordinary shares and any other persons who are entitled to participate in such issue, offer or scheme where the equity securities offered to each such holder and other person are proportionate (as nearly as may be) to the respective numbers of ordinary shares held or deemed to be held by them for the purposes of their inclusion in such issue, offer or scheme on the record date applicable thereto, but subject to such exclusions or other arrangements as the Directors may deem fit or expedient to deal with fractional entitlements, legal or practical problems under the laws of any overseas territory, the requirements of any regulatory body or stock exchange in any territory, shares being represented by depositary receipts, directions from any holders of shares or other persons to deal in some other manner with their respective entitlements or any other matter whatever which the Directors consider to require such exclusions or other arrangements with the ability for the Directors to allot equity securities not taken up to any person as they may think fit; and

- (2) the allotment of equity securities for cash otherwise than pursuant to sub paragraph (b)(1) up to an aggregate maximum nominal amount of £648,672.38.

*BY ORDER OF THE BOARD*

**Laura Denner**  
**Chief Financial Officer and Company Secretary**

Registered office:

Fieldfisher  
Riverbank House  
2 Swan Lane  
London EC4R 3TT  
United Kingdom

## Notes

1. Ordinarily, a shareholder is entitled to appoint one or more proxies to attend, speak and vote instead of him or her. The proxy need not be a member of the Company. Where a shareholder appoints more than one proxy, each proxy must be appointed in respect of different shares comprised in his or her shareholding which must be identified on the proxy form. Each such proxy will have the right to vote on a poll in respect of the number of votes attaching to the number of shares in respect of which the proxy has been appointed but such proxies will only be entitled to one vote between them on a poll. The proxy who is to exercise the one vote on a poll must be identified on the appropriate proxy form. Where more than one joint shareholder purports to appoint a proxy in respect of the same shares, only the appointment by the most senior shareholder will be accepted as determined by the order in which their names appear in the Company's Register of Members. **However, as the meeting will be conducted as a closed meeting in accordance with the Corporate Insolvency and Governance Act 2020, you are strongly advised to appoint the Chairman of the meeting as your proxy to ensure that your vote is counted.**
2. You can vote either:
  - i. by logging on to [www.signalshares.com](http://www.signalshares.com) and following the instructions below;
  - ii. You may request a hard copy form of proxy directly from the registrars, Link Asset Services (previously called Capita), on Tel: 0371 664 0300. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09:00 – 17:30, Monday to Friday excluding public holidays in England and Wales.
  - iii. in the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below.
3. You may vote electronically using the link [www.signalshares.com](http://www.signalshares.com). You will need to log into your Signal Shares account, or register if you have not previously done so. To register you will need your Investor Code which is detailed on your share certificate or available from Link Asset Services whose contact details are set out in the notes to the enclosed Notice of Annual General Meeting. For an electronic proxy appointment to be valid, your vote must be received by no later than 2.00 p.m. on 21 October 2020.
4. To be effective an instrument appointing a proxy and any authority under which it is executed (or a notarially certified copy of such authority) must be deposited at the offices of Link Asset Services, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU so as to be received no later than 2.00 p.m. on 21 October 2020 except that: (a) should the meeting be adjourned, such deposit may be made not later than 48 hours before the time of the adjourned meeting; and (b) in the case of a poll taken more than 48 hours after it was demanded, such deposit may be made not later than 24 hours before the time appointed for the taking of the poll.
5. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so by utilising the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a CREST Proxy Instruction) must be properly authenticated in accordance with Euroclear UK & Ireland Limited's ("EUI") specifications and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it relates to the appointment of a proxy or to an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA10) by the latest time(s) for receipt of the proxy appointments specified in the notice of meeting. For this purpose, the time of receipt will be taken by the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001. CREST members and, where applicable, their CREST sponsors or voting service providers, should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by a particular time. In this connection, CREST members and, where applicable, their CREST sponsor or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
6. Any corporation which is a member can authorise one or more person(s) to act as its representative(s) at the meeting. **However, as the meeting will be conducted as a closed meeting in accordance with the Corporate Insolvency and Governance Act 2020, you are strongly advised to appoint the Chairman of the meeting as your representative to ensure that your vote is counted.**
7. An abstention (or "vote withheld") option has been included on the Form of Proxy. The legal effect of choosing the abstention option on any resolution is that the shareholder concerned will be treated as not having voted on the relevant resolution. The number of votes in respect of which there are abstentions, will however, be counted and recorded, but disregarded in calculating the number of votes for or against each resolution.
8. In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those shareholders registered in the register of members of the Company as at 2.00 p.m. on 21 October 2020 or, in the event that the meeting is adjourned, in such register not later than 48 hours before the time of the adjourned meeting, shall be entitled to attend, or vote (whether in person or by proxy) at the meeting in respect of the number of shares registered in their names at the relevant time. Changes after the relevant time will be disregarded in determining the rights of any person to attend or vote at the meeting.
9. If you are a person who has been nominated under section 146 of the 2006 Act to enjoy information rights, you may have a right, under an agreement between you and the shareholder who has nominated you, to be appointed or to have someone else appointed for you as a proxy for the meeting. If you do not have such a right, or you do have such a right but do not wish to exercise it, you may

have a right under such an agreement to give instructions to the shareholder who nominated you as to the exercise of the voting rights attached to the ordinary shares in respect of which you have been nominated.

10. As at 29 September 2020, being the last practicable date before the publication of this notice, the Company's issued share capital consists of 432,448,253 ordinary shares, carrying one vote each. No shares are held as treasury shares and therefore the total number of votes at such date is 432,448,253.
11. Copies of Directors' service contracts and letters of appointment would ordinarily be available for inspection for at least 15 minutes prior to the meeting and during the meeting. As a consequence of the restrictions relating to the COVID-19 pandemic, we will only allow for inspection of these documents as soon as the restrictions are lifted.
12. If you have any questions, please call us on 0871 664 0300. Calls cost 12p per minute plus your phone company's access charge. If you are outside the United Kingdom, please call +44 371 664 0300. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 9.00 a.m. – 5.30 p.m., Monday to Friday excluding public holidays in England and Wales.

## EXPLANATORY NOTES

### RESOLUTION 1: TO RECEIVE AND CONSIDER THE ANNUAL REPORT AND ACCOUNTS

The Directors are required to lay the Annual Report and Accounts before the shareholders each year at the AGM.

Resolution 1 is an ordinary resolution to receive and consider the Company's Annual Report and Accounts for the financial year ended 31 December 2019 (excluding the Directors' Remuneration Report).

### RESOLUTION 2: TO RECEIVE AND CONSIDER THE DIRECTORS' REMUNERATION REPORT

The Directors elect to lay the Directors' Remuneration Report before the shareholders each year at the AGM.

Resolution 2 is an ordinary resolution to receive and consider the Directors' Remuneration Report for the financial year ended 31 December 2019.

### RESOLUTIONS 3: RE- APPOINTMENT OF DIRECTORS

The Company's articles of association (the "Articles") require that at every AGM any Director appointed since the last annual general meeting and any other Director who was not re-appointed as a Director at one of the preceding two AGMs, retire from office and, if appropriate, seek re-appointment.

Although none of the current Directors are required to seek re-appointment under the Articles, the Board believe that it would be good corporate governance for at least one Director to stand for re-appointment at the AGM. They have therefore resolved that Bryan Dobson, who was last re-appointed as a Director at the 2018 annual general meeting, stand for re-appointment at the AGM. This Resolution is an ordinary resolution.

Biographical details of all the Directors appear in the Company's Annual Report and Accounts for the financial year ended 31 December 2019. The Directors' biographies can also be found on the Company's website at <http://itaconix.com/investors-old/corporate-governance>.

### RESOLUTION 4: RE-APPOINTMENT OF AUDITORS

The Company's auditors are required to be re-appointed at every AGM. Resolution 4 is an ordinary resolution to approve the re-appointment of BDOs LLP as auditors.

### RESOLUTION 5: AUDITORS' REMUNERATION

This Resolution is an ordinary resolution to authorise the Directors, as is customary, to negotiate and agree the remuneration of the auditors of the Company. In practice, the audit committee will consider and approve the audit fees on behalf of the Directors.

### RESOLUTION 6: AMENDMENT OF ITACONIX 2019 EQUITY INCENTIVE PLAN

This Resolution is an ordinary resolution to authorise the Directors to amend the Itaconix 2019 Equity Incentive Plan by updating the reference at section 3.1 of the Plan to refer to an aggregate of 5% of the issued and outstanding Shares as of 23 October 2020 to take account of the increased aggregate share capital following the placement of new ordinary shares in July 2020.

### RESOLUTION 7: ALLOTMENT OF RELEVANT SECURITIES

The Directors may allot shares and grant rights to subscribe for, or convert any security into, shares only if authorised to do so by shareholders. The authority granted at the last AGM is due to expire at this year's AGM. Accordingly, Resolution 7 will be proposed as an ordinary resolution to grant new authorities to allot shares and grant rights to subscribe for, or convert any security into, shares.

If given, these authorities will expire on the earlier of at the conclusion of the 2021 annual general meeting of the Company and the date falling 15 months from the passing of the Resolution.

In accordance with the latest institutional guidelines issued by The Investment Association, paragraph (a) of Resolution 7 will allow Directors to allot ordinary shares in connection with a rights issue, open offer or other pre-emptive offer to ordinary shareholders up to an aggregate nominal amount of £1,441,494.18, representing approximately one third of the Company's existing issued share capital as at 29 September 2020 (being the latest practicable date prior to the publication of this notice).

Paragraph (b) of Resolution 7 will also allow the Directors to allot Relevant Securities up to an aggregate nominal amount of £1,441,494.18, representing approximately one third of the Company's existing issued share capital as at 29 September 2020.

It is customary for a UK quoted company to maintain such an authority irrespective of any intention to exercise it. The Directors confirm that they do not currently have any intention to exercise this authority.

### RESOLUTION 8: DISAPPLICATION OF PRE-EMPTION RIGHTS

The Directors also require a power from shareholders to allot equity securities for cash and otherwise than to existing shareholders *pro rata* to their holdings. The power granted at the last annual general meeting is due to expire at this year's AGM.

Accordingly, Resolution 8 will be proposed as a special resolution to grant such a power.

Apart from offers or invitations in proportion to the respective number of shares held, the power will be limited to the allotment of one third of the current issued share capital up to £1,441,494.18 and a further limit of 15% of the current issued share capital for non – pre-emptive issues for cash up to an aggregate nominal amount of £648.672.38

If given, this power will expire on the earlier of at the conclusion of the 2021 annual general meeting of the Company and the date falling 15 months from the passing of the Resolution.

It is customary for a UK quoted company to maintain such an authority irrespective of any intention to exercise it. The Directors confirm that they do not currently have any intention to exercise this authority.



## Corporate Information

### Advisors

#### Auditors

BDO, LLP  
55 Baker Street  
London  
W1U 7EU

#### Solicitors

Fieldfisher LLP  
Riverbank House  
2 Swan Lane  
London EC4R 3TT

BPE Solicitors LLP  
St James' House  
St James' Square  
Cheltenham  
Gloucestershire GL50 3PR

#### NOMAD/Broker

N+1 Singer  
One Bartholomew Lane  
London  
EC2N 2AX

#### Registrar

Link Asset Services  
The Registry  
34 Beckenham Road  
Beckenham  
Kent BR3 4TU

#### Patent Agent

Grossman, Tucker, Perreault & Pflieger, LLP  
55 South Commercial Street  
Suite B14  
Manchester, NH, USA  
03101

#### Bankers

HSBC plc  
Vista  
St David's Park  
Ewloe

#### Registered Office

Fieldfisher LLP  
Riverbank House  
2 Swan Lane  
London EC4R 3TT

#### US Operations

2 Marin Way  
Unit 1  
Stratham, NH, USA  
03885