Polymers for Better Living™

Itaconix plc
Annual Report & Accounts 2020

Science and nature combine for

SUSTAINABLE LIVING

to satisfy the most demanding consumers

HIGHLIGHTS

STRATEGIC REPORT

GOVERNANCE

FINANCIAL STATEMENTS

Appendix to the annual report

OPERATIONAL HIGHLIGHTS

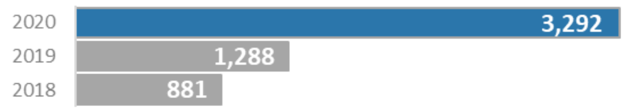
- Increased demand across all major products and applications, including major new brands in North America.
- Grew revenues by 155.6% while successfully navigated the global Covid-19 pandemic.
- Oversubscribed fundraise with gross proceeds of $2.2m.

FINANCIAL HIGHLIGHTS

Itaconix plc (AIM:ITX) (OTC:ITXXF), the world leader in polymers of itaconic acid and its derivatives, announced final results for the year ended 31 December 2020.

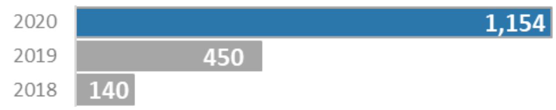
Revenues ($'000)

$3,292 +155.6%



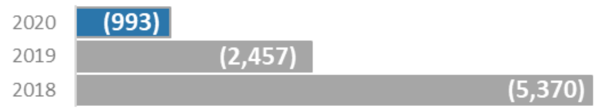
Gross profits ($'000)

$1,154 +156.4%



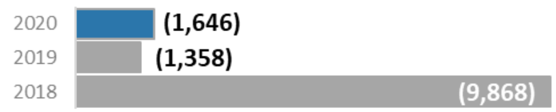
Adjusted EBITDA[1] ($'000)

$(993) +59.6%



Net loss ($'000)

$(1,646) -20.7%



Diluted loss per share (¢)

$(0.005) +0.0%

[1] Adjusted for interest, tax, depreciation, amortization, and exceptional items.

CHAIRMAN'S STATEMENT

Polymers for Better Living™

Itaconix plc is dedicated to reducing the planet's carbon footprint and addressing climate change with plant-based polymers that are essential ingredients in a new generation of safer, more sustainable consumer products.

Our principal activities are the production and sale of proprietary plant-based specialty ingredients that satisfy consumers' increasing awareness of how their purchases impact climate change and the environment. Our sustainable plant-based polymers replace fossil-based ingredients while offering uncompromising performance and cost. Most of our efforts are focused on home and personal care applications where consumer interest and desires for safer and more sustainable products are particularly high.

We are continuing to advance the potential for consumer products with near net zero carbon consumption through the plant-based ingredients we produce and are developing, the energy-efficient production processes we use, and more compact consumer products our ingredients enable that use fewer natural resources and release less chemicals into the environment.

We made great strides in 2020 towards fulfilling our potential to make the world a better and safer place. Our polymers are key ingredients in a growing number and range of home and personal care products. Our progress was reflected in 155.6% revenue growth, our leadership in next generation detergents with the launch of two new products by major brands, and the introduction of our Bio*Asterix™ plant-based functional ingredients.

We achieved this progress amid continuous uncertainty from the Covid-19 pandemic that challenged our operations and our funding. I greatly appreciate the unwavering dedication of our customers, our shareholders, our employees, and our vendors to generate such a transformative year of growth and advancement toward our potential.

With Polymers for Better Living™, Itaconix is enabling new generations of consumer products to fight climate change and protect our environment.

James Barber
Chairman

29 March 2021

CHIEF EXECUTIVE OFFICER'S STATEMENT

Overview

We completed a transformational year in 2020 as a leader in sustainable plant-based polymers used as essential ingredients in everyday consumer products. Brands increasingly looked to Itaconix to improve the competitive position of their products with new performance and environmental claims.

Major customer projects progressing to launch in 2020 increased our revenues and our revenue potential in a broadening range of home and personal care products. The expanding foundation of formulations among our customers is building a strong base of recurring use to underpin our continued growth.

As a result of this momentum, year on year revenues increased and operating losses decreased from both new and recurring orders in detergent, odour control, and personal care applications.

Having completed a successful fundraise in July 2020, we have also substantially strengthened our balance sheet with healthy cash balances at the year end.

Commercial progress

Our product revenues grew by 155.6% to $3.3m in 2020 compared to $1.3m in 2019.

Revenues increased across all our home and personal care polymers. Although aided by demand for household cleaning during the Covid-19 pandemic, most of our increased revenues came from new customer products entering the market after several years of development.

Our new Itaconix® TSI™ 322 polymer is leading a new generation of dishwashing detergents with excellent performance and high bio-based content, including the launch of two new North American brands in 2020 and another North American brand at the start of 2021. New formulation activity with Itaconix® TSI™322 increased in the second half of 2020 which we expect will lead to additional usage in current and new brands in the second half of 2021. Although our Itaconix® CHT™ 122 polymer has established use in the EU, the focus of formulation development during the Covid-19 pandemic has slowed EU adoption of the added benefits available with Itaconix® TSI™ 322.

In hair styling, we were pleased that demand for our unique bio-based hair fixative polymer sold worldwide by Nouryon, a global specialty chemicals leader, continued to grow despite a general downturn in the personal care market during the Covid-19 pandemic. This growth has come from more brands launching new products containing the ingredient and an expansion in the applications for the ingredient.

In homecare odour control, our ZINADOR™ polymers sold through Croda, a global specialty chemicals leader, are similarly seeing broader use. Demand continues to grow with expanding adoption in existing brands and initial usage by new brands. We are seeing increased focus and activity during the Covid-19 pandemic on home odour control, which we expect to translate into continued revenue growth.

In personal odour control, our VELAFRESH™ polymers are gaining important initial adoption as key ingredients in specialty underarm deodorant brands.

Our major new product development for 2020 was the announcement of our BIO*Asterix™ line of plant-based functional additives. We see breakthrough opportunities for reducing the carbon footprint of consumer products and increasing the use of safer chemicals through an evolving line of BIO*Asterix™ functional ingredients. Our initial commercial work is focused on a joint development agreement for potential use by a leading innovator in biodegradable packaging.

Overall, active customer projects advancing or emerging out of our sales development pipeline present multiple new revenue opportunities as we are increasingly able to turn ingredient "wish lists" into product sales. Growth in the second half of 2020 was particularly strong, driven by both new orders and the increased size of recurring orders.

Covid-19

We have experienced positive and negative effects of the Covid-19 pandemic and continue to closely monitor emerging issues.

The health and safety of our employees is our first and foremost focus. We follow recommended policies and protocols for monitoring individuals' health and mandatory social distancing measures or remote access where possible. We operated continuously and delivered on growing order volumes in 2020 through the extraordinary efforts of our dedicated employees.

We implemented cost saving measures from March 2020 to August 2020 to conserve our available cash resources while receiving a US Paycheck Protection Program loan in May and completing a fundraise in July.

Our rapid responses allowed us to manage effectively through the initial repercussions of the Covid-19 pandemic. Secondary effects are starting to emerge in our and our customers' supply chains around shipping delays, higher shipping costs, higher raw material costs, and the availability of raw materials that may delay the ramp up on some customer projects. We continue to monitor these situations very closely.

Financial Performance, Funding and Cash

Revenues for the year were $3.3m, representing 155.6% growth over 2019. As a result of the increase in revenues, adjusted EBITDA has improved in line with management's expectations to ($1.0m).

Despite an increase in our operating expenses, which rose in the second half to $1.6m compared to H1 2020 $1.0m, we managed to maintain an attractive gross margin of 35.1% (2019: 34.9%). The increase in operating expenses was mainly due to an increase in our staff as we ramped up production volumes to meet demand.

Our operating losses decreased by 51.7% to $1.5m, highlighting that the Company is making significant progress towards break-even profitability.

Net cash balances as at year end were $1.4m. This was in part due to the completion in July 2020 of a successful $2.2 million fundraise via an oversubscribed placing and subscription from existing and new investors. The net proceeds were used to fund working capital requirements and invest in key staff to support our continued growth, and are currently forecasted to provide sufficient funding for our operations for the foreseeable future as of the issuance of these financial statements, although there are continuing uncertainties due to the Covid-19 pandemic as we advance our medium-term plan for break-even net operating cash flow.

Overall, with an improved operating performance and a stronger balance sheet, the Company has a much stronger financial position for its next phase of growth.

People

We expanded and realigned our executive team to fulfil increasing order volumes, create more demand for current products, and add significant new revenue potential from our proprietary itaconate chemistry platform.

In January 2021, after the reporting period, we appointed Helen Cane as Vice President, Operations to manage our fulfilment capabilities. In November 2020, we appointed Monna Manning as Vice President, Marketing & Sales to lead our commercial activities.

Increased experience and knowledge on our executive team offer new opportunities for me and our Chief Technology Officer, Dr Yvon Durant, to build our next phase of revenue development with new products and collaborations for major unmet customer needs.

Shareholder Engagement

We have turned to virtual meetings to engage directly with shareholders and to update the market on our progress towards profitability as our products are more broadly adopted.

We held our first virtual investor meeting on 28 October 2020, with access granted to all current investors, potential investors and interested parties. We plan on continuing to use virtual meetings to maintain open engagement with our shareholders, in particular on our progress.

Outlook

2020 was a positive year of trading in many ways for Itaconix. We experienced continued growth in the use of our proprietary polymers as key ingredients in an expanding range of everyday consumer products. Consumers and brand managers are increasingly aware of the potential for consumer goods to reduce carbon emissions and energy consumption and decrease the release of harmful chemicals into the environment.

With new urgency in consumer markets to address both cleanliness and climate change, our years of development efforts propelled our commercial activities and results to a new stage of growth. We are pleased that brands are recognising the role our plant-based polymers play as sustainable materials within the decarbonisation economy and we expect them to be increasingly adopted as core ingredients by brands.

All indications are that our products will increasingly be taken up by major brands and we expect the commercial momentum experienced in 2020 to continue in 2021, particularly as current customer products succeed in the market and major new customer products continue to launch in 2021.

The expanding foundation of recurring revenues is creating a strong base for continued revenue growth and progress toward the Company's goal of sustained profitability in the coming years. We look forward with increased optimism and confidence.

John R. Shaw
Chief Executive Officer

29 March 2021

Principal Activities

Itaconix plc is a leading innovator in plant-based ingredients for improving the safety and performance of consumer and industrial products. Its proprietary polymer technologies generate a growing range of new specialty ingredients with unique functionalities that meet consumer demands for value and sustainability.

The Group's principal activities are the development of plant-based polymers, the proprietary production of these materials, and sales of these materials globally either directly or through partners as ingredients in consumer product formulations.

Most of the Group's efforts are focused on home 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 materials as ingredients in consumer products stems from the unique functionalities available through the chemical structure of itaconic acid and from the bio-based production of itaconic acid through fermentation using plant-based 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 2020

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 entry of major new customer products onto the market that drove dramatic revenue growth, particularly in non-phosphate detergent sales. The Group is well positioned for growth in the coming years.

The combination of dramatic revenue growth and continued costs control in 2020 significantly advanced the Group towards its goals of reducing cash use and reaching profitability. The Group's efforts during the year included the elimination of the remaining costs from the UK facility.

Key Performance Indicators (KPIs)

The three key performance indicators for the Group are:

- Revenue
- Adjusted EBITDA, adjusted for interest, tax, depreciation, amortization, and exceptional items.
- Cash

The Directors believe that revenue and adjusted EBITDA are key performance indicators 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 its products. Revenue performance is detailed in the Chief Executive Officer's Statement on pages 4 to 6.

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 inflow for the period to 31 December 2020 was \$0.7m compared to the same period in 2019 with net cash outflow was \$1.9m. Further details of cash flows in 2020 (and 2019) are set out in the Group's Consolidated Cash Flow Statement on page 46 and note 21 on page 67.

Key performance metrics continue to improve as the Group gains commercial momentum. Most notably, revenues for the year increased by 155.6% from 2019. The gross profit margin remained consistently high in 2020 at 35.1% compared to 34.9% in 2019. Cash used in operations decreased from $1.8m in 2019 to $1.1m in 2020. This was all complemented by the Group's successful fundraise in July 2020. Below is a table showing the Group's key performance metrics:

	2020	2019	2018
	$'000	$'000	$'000
Revenue	**3,292**	1,288	881
Gross profit	**1,154**	450	140
Gross profit margin	***35.1%***	*34.9%*	*15.9%*
Adjusted EBITDA[1]	**(993)**	(2,457)	(5,370)
Cash used from operating activities	**(1,157)**	(1,831)	(6,973)
Net cash at year-end	**1,448**	765	2,655

Financial Performance

Revenue

Total revenues for the 12-month period ended 31 December 2020 were $3.3m, representing a 155.6% increase over 2019 revenues of $1.3m. Revenues grew across all major product lines from detergent polymers, hair styling polymers, and odour control. Detergent polymers represented the largest area of growth with several new end user products launched in 2020.

Revenues in all geographical regions increased. North America represents 87.2% of the Group's revenue and grew by 154.3%. North America revenue growth was due largely to the increased product launches that used the Group's detergent polymers. Europe represents 12.8% of the Group's revenue and grew by 164.4%. European revenue growth is due to increased demand for the Group's hair styling polymers supplied through Nouryon.

Gross Profit and Adjusted EBITDA[2]

Gross profit margin remained consistent between 34.9% in 2019 and 35.1% in 2020. As the Group continued to focus efforts on fulfilment and commercialisation of the current itaconate polymer technologies, gross profit increased from $450k in 2019 to $1,154k in 2020, an increase of 156.4%.

Adjusted EBITDA is a non-IFRS measure but is widely recognised in financial markets and it is used within the Group as a key performance indicator. Adjusted EBITDA improved from a loss of $2.5m in 2019 to a loss of $1.0m in 2020. The improvement in EBITDA was due to the Group's gain in commercial momentum, improved gross profit margin and the reduced cost structure from the 2018 Group reorganization.

[1] Adjusted for interest, tax, depreciation, amortization, and exceptional items.

FINANCIAL REVIEW

Below is a reconciliation of Loss for the Year to Adjusted EBITDA:

	2020	2019	2018
	$'000	$'000	$'000
Loss for the year	**(1,646)**	(1,358)	(9,868)
Taxation	**7**	1	(187)
Depreciation	**200**	223	296
Amortization	**198**	198	-
Exceptional revaluation of contingent consideration	**339**	(1,474)	3,323
Exceptional organizational restructuring	**(91)**	-	1,190
Finance income	**-**	(1)	(4)
Movement on investment in associate	**-**	(46)	(120)
Adjusted EBITDA	**(993)**	(2,457)	(5,370)

Administrative Expenses

Administrative expenses consist of sales, marketing, operations, research and development, and public company costs such as legal, finance and the Group Board. These expenses were $2.6m in 2020 down from $3.4m in 2019. The reduction in administrative expense was largely due to cost cutting efforts to conserve cash through the Covid-19 pandemic.

Costs and Available Cash

The Group's increasing revenues and overall cost reductions resulted in Net Cash Outflow from Operations of $1.1m, which represents an improvement from 2019 when Net Cash Outflow from Operations was $1.8m. As at 31 December 2020, the Group held cash of $1.4m. In addition to the improved operating cash flow, the Group's cash at year end was higher than the prior year because the Group completed a fund raise of $2.2m and received $0.2m from the US Government Paycheck Protection Program.

Working capital

At year end, overall carrying value of inventory, trade and other receivables, and trade and other payables had increased. However, the working capital as a per cent of revenues had decreased from 69.3% in 2019 to 56.7% in 2020. The most significant increase in the working capital were the inventories and accounts payable. Inventories increased from $0.5m in 2019 to $1.4m in 2020 to address growing customer demand and volume. The accounts payable were increased at year end in relation to the inventory increase. Trade and other payables increased from $0.7m in 2019 to $1.4 m in 2020.

Financial Position

At 31 December 2020, the Group had equity of ($0.6m) as compared to ($1.0m) in 2019. This primarily resulted from a revaluation of the deferred consideration (note 17) net of the equity raise and stronger operating results.

Revaluation of Deferred Consideration

As a result of revaluing deferred consideration with respect to the acquisition of Itaconix Corporation in 2016, as per note 17, there is an exceptional non-cash expense of $0.3m in 2020, which offsets the exceptional non-cash income of $1.5m (excluding foreign exchange) from 2019. Subsequent to year end, the Group is expecting to issue shares to certain Sellers of Itaconix Corporation in the amount of $0.1m by 31 March 2021.

Exceptional Expense on Reorganization

As part of the Group reorganization in 2018, certain costs to close the UK facility were accrued. The former corporate headquarters in Deeside, UK was leased through July 2021 and the full value remaining on the lease was accrued. In September 2020, the Group was able to surrender the lease to the landlord. This relieved the remaining liability associated with the lease and the Group recognized an income of $91k.

Financial Reporting

There were no new reporting standards adopted for the year end 31 December 2020 that have a material impact on the financial statements.

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 significant 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 in deliveries to our customers.

As further detailed in the Directors' Report on page 29 and note 2 to the Annual Report, 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.

Shareholdings and Earnings per Share

Itaconix had 432,448,253 shares in issue as at 31 December 2020. The undiluted weighted average number of shares for the period to 31 December 2020 was 344,970,117. The difference in the two numbers is the result of the issuance of new shares in July 2020 (see note 20). The undiluted weighted average number of shares was used to calculate the loss per share presented in note 10.

PRINCIPAL RISKS AND UNCERTAINTIES

Effective risk management is a priority for the Group to sustain the future success of the business. Therefore, the Directors have overall responsibility for the Group's risk management process but have delegated responsibility for its implementation, the system of controls which reduce risk and for reviewing their effectiveness to the management team. The risk of uncertainties that the Group face evolve over time, therefore the management team review and monitor the emerging risks and update mitigation effort. The results are reported to the Board.

Commercialisation Activities

Significant progress was made in 2020 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 expanded its management team with the hiring of two executives and has service contracts in place for John R. Shaw as Chief Executive Officer and Dr. Yvon Durant as Chief Technology Officer. In addition, the Group seeks to retain key personnel in the US using an Equity Incentive Plan for share option grants, as disclosed in note 22.

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, the operations of its production facility, the supply of raw materials, and the supply of other ingredients going into customer products due to the Covid-19 pandemic. The US operations continued to operate while implementing recommended CDC guidance to protect our employees and provide a safe work environment. Delayed supply chain issues are emerging in early 2021 from extended shipping times and the availability of other ingredients going into customer products.

Management of risk: Management closely monitors Covid-19 regulatory developments and expected demand from customers. Management and staff actively communicate with all major suppliers and customers about upcoming demand and reliability of the supply chain. The US operations also hold significant stock of long lead raw materials from Asia.

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, 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 2020, there were no significant credit risk balances.

Foreign Exchange Risk

Itaconix Plc is a publicly traded holding company on the London Stock Exchange. The Group's primary operations are in the US. These US based operations transact trades with customers in North America and 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.

Brexit has created potential risks to the Group as the UK is no longer part of the European Union. These risks include alignment of various chemical regulations and trade relations between the UK and US.

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.

Polymers for Better Living™

Our polymers are advanced sustainable materials that 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, our patented process to produce them, their performance as ingredients in consumer product formulas, and how these formulas are packaged and delivered to consumers contribute to the fight against climate change with plant-based carbon, sequestering carbon, energy efficiency, and lighter consumer products.

Itaconix Ingredient Benefits as Advanced Sustainable Materials

Product	Plant-Based Carbon	Decarbonisation	Energy Efficiency	Lighter Products
Detergents				
Itaconix® DSP 2K™	100%	√	√	√
Itaconix® TSI™	>75%	√	√	√
Itaconix® CHT™	>80%	√	√	√
VELASOFT™	100%	√	√	
Odour Control				
ZINADOR™ (Croda)	80-100%	√	√	
VELAFRESH™	80-100%	√	√	
Hair & Skin Care				
Amaze™ SP (Nouryon)	100%	√	√	

Plant-based carbon

The renewable carbon in the itaconic acid we use to make Itaconix products is captured as carbon dioxide by plants. Corn plants convert carbon dioxide into carbon in sugars that are used to produce itaconic acid via fermentation. We bring this itaconic acid into our patented process at our US operations to produce polymers that have 75-100% plant-based carbon.

Decarbonisation

The increase of carbon dioxide as a greenhouse gas in our atmosphere is a major cause of climate change. Carbon dioxide is sequestered as carbon in Itaconix products for a period of time until, depending on the circumstances, they degrade. During this period, the amount of carbon held contributes to a reduction of carbon dioxide in the atmosphere.

Energy efficiency

Improving energy consumption is a major sustainability goal for Itaconix and within the chemical industry.

Itaconix's efforts start with its patented polymer production process, which is efficient in its use of energy and capital equipment. Less energy use translates into less direct and indirect GHG emissions.

Itaconix is working to extend its energy efficiency efforts across all of its operations and practices with the development of reporting under the Streamlined Energy & Carbon Reporting (SECR) framework. We began in 2020 with the direct and indirect emissions from the purchase of electricity and natural gas. The table below shows the energy consumption and estimated GHG emissions at our US operations for the 12-month period ending 31 December 2020 from these activities.

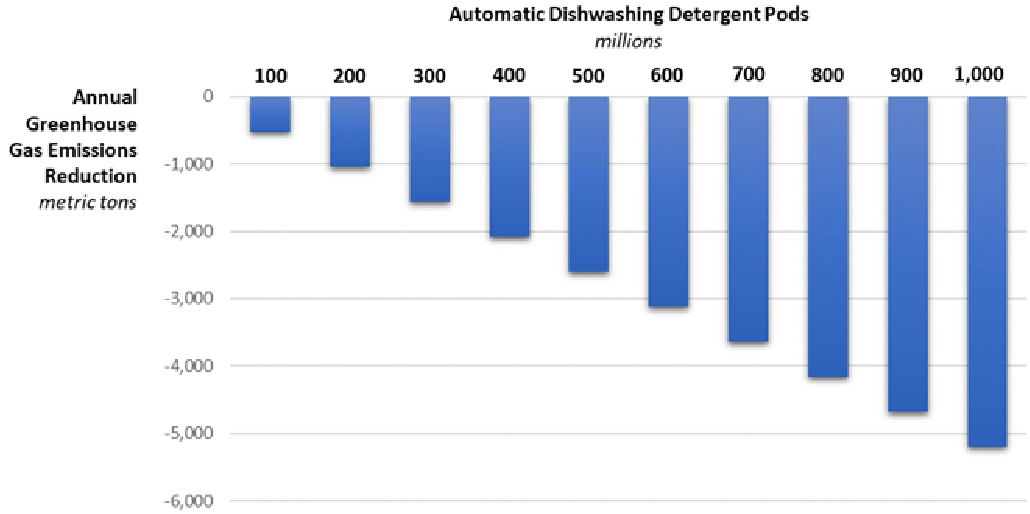
	Energy consumption (kWh)	**GHG Emissions (tCO_2e)**
Direct and indirect emissions	162,840	44.59
Intensity ratio: tCO_2e per $m Net Revenue		13.51

We have selected an intensity metric based on tonnes of carbon dioxide emissions (tCO_2e) per $m Net Revenue. We will use this ratio to monitor and extend our energy efficiency efforts further into our operations and practices.

Lighter products

The multifunctional performance of Itaconix ingredients offers the potential for more compact consumer products, particularly in detergents. Compact products are lighter and can reduce greenhouse gas emissions by using less chemicals, less packaging, and more efficient transportation.

A study by a leading third-party sustainability research firm estimated the potential for dishwashing detergents using Itaconix ingredients to reduce greenhouse gas emissions.



Carbon dioxide emissions from 17 gram North American automatic dishwashing detergent versus 14 gram Itaconix automatic dishwashing detergent formula in stand-up pouch. Does not include emission reductions from plant-based carbon in Itaconix polymer.

Source: Pure Strategies analysis

Revenues from Advanced Sustainable Materials

Itaconix plc is dedicated to reducing the planet's carbon footprint and addressing climate change with plant-based polymers that are essential ingredients in a new generation of safer, more sustainable consumer products.

Our financial results demonstrate that commercial and environmental progress can advance equally through the value and adoption of our ingredients. We are pleased to announce that 96% percent of our 2020 revenues were derived from advanced sustainable materials. This means that 96% of our revenues are related specifically to the design, development, and manufacture of materials that during their manufacture or through their use allow for considerable increases in the efficiency of resource usage.

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 two decisions taken during the year fall into this category, and engaged with internal and external stakeholders on these decisions:

- 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 Exchange. The fundraise was completed in July 2020.
- Covid-19 – The Group continually assesses the impact Covid-19 has on customer orders, supply chain and employees. Efforts have been put in place to support customer demand, ensure safety stock, and safeguard employees' wellness during these unprecedented times.

The Strategic Report encompassed on pages 7 through 16 was approved by the Board of Directors on 29 March 2021 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 68) – 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.

CORPORATE GOVERNANCE REPORT

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 17 and 18 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 7 to 16.

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 (NOMAD) 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 and management use a framework that effectively identifies, assesses, and manages the risks to the business that allows the Group to achieve its 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 11 to 12.

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 preformed a formal self-assessment in 2021 to evaluate various aspect of its structure, performance, and interaction with management. The Board will continually review its needs and assess opportunities for 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 March 2021, 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 March 2021, 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 24 June 2021. Full details are included in the Notice of Meeting that accompanies this Annual Report and is published on our website (www.itaconix.com).

James Barber
Chairman

29 March 2021

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 March 2021 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 2020.

Directors' Remuneration and Transactions

The Directors' emoluments in the year ended 31 December 2020 were:

	Basic salary	Benefits in kind	Retirement	Bonus	2020 Total	2019 Total
	$'000	$'000	$'000	$'000	$'000	$'000
Executive Director						
John R. Shaw	237	-	7	-	244	244
Non-Executive Directors						
James Barber	60	-	-	-	60	60
Bryan Dobson	45	-	-	-	45	45
John Snow III	46	-	-	-	46	46
Total	388	-	7	-	395	395

Directors' Interests

The interests of the Directors in the share capital of the Company are disclosed below.

Directors' Interests	31 December 2020 Number of ordinary shares of 1p each	31 December 2019 Number of ordinary Shares of 1p each
John R. Shaw	44,076,733	33,894,915
John Snow III	2,576,841	1,849,568
James Barber	2,557,727	1,466,818
Bryan Dobson	1,038,045	583,500

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 six times during the financial year to 31 December 2020.

Bryan Dobson
Chairman of the Remuneration Committee

29 March 2021

AUDIT COMMITTEE REPORT

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 March 2021 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 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 11 to 12.

Through the control systems outlined in the Corporate Governance Report on pages 19 to 23, 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 6 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.

For and on behalf of the Audit Committee

John I. Snow III
Chairman of the Audit Committee

29 March 2021

DIRECTORS' REPORT

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 18.

Directors and their Interests

The Directors of the Group at 31 December 2020 were:

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

John Shaw and John Snow were elected at the 2019 Annual General Meeting. Bryan Dobson was re-elected at the 2020 Annual General Meeting. In accordance with Article 90 of the Company's Articles of Association, James Barber will stand for election at the 2021 Annual General Meeting.

Biographical details of all the Directors as at 31 December 2020 are given above on pages 17 to 18.

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 (2019: £nil).

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 7 to 16 and Chief Executive Officer's Statement on pages 4 to 6.

DIRECTORS' REPORT

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 18 (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 2, 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 or delay 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 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 31 December 2020:

Shareholder	Shares Held	% Holding
Hargreaves Lansdown Asset Management	64,599,063	14.9%
IP Group	48,291,522	11.2%
John R. Shaw	44,076,733	10.2%
Interactive Investor	21,916,433	5.1%
Octopus Investments	21,387,288	5.0%
Halifax Share Dealing	20,373,288	5.0%
Guy Broadbent	18,275,000	4.2%
Barclay Wealth	14,156,127	3.3%

The percentage interest has been calculated on the total voting rights of 432,448,253, being the Company's issued share capital on 31 December 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.

Brexit

The United Kingdom ('UK') formally left the European Union ('EU') on 30 January 2020. The period from when the UK voted to exit the EU on 23 June 2016 and the formal process initiated by the UK government to withdraw from the EU, or Brexit, created volatility in the global financial markets. The UK entered a transition period, being an intermediary arrangement covering matters like trade and border arrangements, citizens' rights and jurisdiction on matters including dispute resolution, taking account of The EU (Withdrawal Agreement) Act 2020, which ratified the Withdrawal Agreement, as agreed between the UK and the EU. The transition period ended on 31 December 2020, where upon the UK-EU Trade & Cooperation Agreement (together with other connected Agreements concluded on by the UK and EU, which includes the Exchanging and Protecting of Classified Information Agreement) signed on the 24 December 2020, with UK Parliament approval on 30 December 2020.

As such, and given the Group's main focus of activity is in the United States of America, the Directors deem that the adoption of the UK-EU Trade & Cooperation Agreement will not have a significant impact on the Group's operations nor consider it likely that the Group will be significantly impacted as it is not currently a material importer or exporter of goods between the UK and EU. However, the Directors and senior leadership team are closely monitoring the situation to be able to manage the risk of any volatility in global financial markets and impact on global economic performance due to Brexit.

Greenhouse Gas Emissions

The 2018 Regulations introduced requirements under Part 15 of the Companies Act 2006 for an enhanced group of companies, which are defined as large by the Companies Act 2006, to disclose their annual energy use and greenhouse gas emissions, and related information. Under the 2018 Regulations, the Group is not currently defined as large and is considered a low energy user, with annual energy consumption less than 40 MWh. Based on Itaconix's dedication to reducing the planet's carbon footprint and addressing climate change, the Group has chosen to disclose its US subsidiary annual energy use and greenhouse gas emissions in the Sustainability Section on page 14.

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 Accounting standards in conformity with the requirements of the Companies Act 2006 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 International Accounting standards in conformity with the requirements of the Companies Act 2006, subject to any material departures disclosed and explained in the financial statements; and
- 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 2021 Annual General Meeting.

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

John R. Shaw
Chief Executive Officer

29 March 2021

Opinion on the financial statements

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 2020 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Itaconix plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2020 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated and company balance sheets, the consolidated and company statements of changes in equity, the consolidated and company statements 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 Group financial statements is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remain 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.

Material uncertainty related to going concern

We draw attention to note 2 in the financial statements which sets out the Directors considerations over going concern and that the Group is dependent on customer adoption of the Group's products in order to increase revenue and profit growth. Inability to deliver this could result in the requirement to raise additional funds within the next 12 months. As stated in note 2, these events or conditions, along with the other matters as set out in note 2, indicate that a material uncertainty exists 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.

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. We considered going concern to be a key audit matter based on our assessment of the significance of the risk and the effect on our audit strategy.

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 and the potential impact that the Covid-19 pandemic might have on these projections;
- Reviewing management's assessment of going concern through analysis of the Group's cash flow forecast and other projections through to 30 June 2022, including assessing and challenging the assumptions as to determine whether there is adequate support for the assumptions underlying the forecasts through comparison against post year-end results to date.
- Performing sensitivity analysis to consider cash flow requirements if the level of revenue and costs changes. This includes, taking account of the Covid-19 pandemic, 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 existing financing and plans for future fund raising;
- Reviewing post-balance sheet results, specifically the cash flow position against that budgeted; and
- Considering the adequacy of the disclosures in the financial statements against the requirements of the accounting standards.

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

Overview

Coverage	*100% (2019: 98%) of Group loss before tax* *99% (2019: 99%) of Group revenue* *100% (2019: 100%) of Group total assets*
Key audit matters	<table><tr><th></th><th>2020</th><th>2019</th></tr><tr><td>KAM 1</td><td>Revenue Recognition</td><td>Revenue Recognition</td></tr><tr><td>KAM 2</td><td>Valuation of Contingent Consideration</td><td>Valuation of Contingent Consideration</td></tr><tr><td>KAM 3</td><td>Going Concern</td><td>Going Concern</td></tr></table>
Materiality	*Group financial statements as a whole* $160,000 (2019: $160,000) based on 3 year average loss before tax, adjusted for certain non-recurring transactions relating to the movement in contingent consideration in the year (2019: based on 3 year average loss before tax adjusted for certain non-recurring transactions relating to the movement in contingent consideration)

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements at the Group level. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

The Group is comprised of 2 UK incorporated management or holding companies (including Itaconix Plc) and 1 US trading component.

The US component was identified as a significant component and was subject to full scope audit for Group reporting purposes. This component accounted for 99% (2019: 99%), of the Group's revenue and 100% of the Group's loss before tax (2019: 98%). Full scope statutory audits were completed on the UK incorporated entities with targeted audit procedures performed over key risks. All procedures were performed by the Group audit team.

We also obtained an understanding of the internal control environment related to the financial reporting process and assessed the appropriateness, completeness and accuracy of Group journals and other adjustments performed on consolidation.

Key audit matters

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. In addition to the matter described in the material uncertainty related to going concern section, we have determined the matters described below to be the key audit matters.

Key Audit Matter		***How the scope of our audit addressed the key audit matter***
KAM 1 - Revenue Recognition Refer to note 2 on page 49 and note 4 on page 54 of the consolidated financial statements for the Group's revenue streams and accounting policies applied during the year.	The Group generates revenue from the sales of goods, with revenue recognised at a point in time. We considered there to be a significant audit risk arising from inappropriate or incorrect recognition of revenue. The key audit matters related to revenue recognition are as follows: • The existence and timing of revenue recognition arising from the sale of products to customers. • the recognition of revenue around the year end (cut-off); and • the appropriateness of revenue recognition policy itself, as detailed in notes 2 & 4 to the consolidated financial statements.	We performed the following specific testing: • We agreed a sample of recorded revenue transactions from throughout the year to invoice, cash receipt and evidence of delivery; • We agreed a sample of revenue transactions from either side of the balance sheet date to invoice and evidence of delivery to check that they have been recorded in the correct period; and • We selected journal entries to record revenue and corroborated the transaction to invoice and evidence of delivery to confirm that the processing and timing of journals to record revenue around the year-end were appropriate. • We assessed whether the revenue recognition policies adopted by the Group comply with the requirements of applicable accounting standards. **Key observations:** Based on the procedures performed, we consider that revenue has been recognised appropriately and in accordance with the Group's revenue recognition accounting policy.

Key Audit Matter		***How the scope of our audit addressed the key audit matter***
KAM 2 - Valuation of contingent consideration Refer to the accounting policies in note 2, 3 and 17 of the Consolidated Financial Statements.	The Group balance sheet reports a \$2.9m (2019: \$2.4m) provision for contingent consideration that arose from a historic acquisition. Contingent consideration is subject to estimates 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 liability as at the balance sheet date. Any change in estimated revenues or the discount rate in the period, will change the fair value of contingent consideration, with an equal and opposite entry recorded in the Income Statement.	We have performed the following specific testing: • We confirmed that the cash flow forecast used in the measurement of the liability is consistent with the information for FY 21-22 approved by the Board at December 2020 and for FY 21, in conformity with the forecasts provided to support going concern basis; • We evaluated forecasts in light of historical accuracy of management's forecasts and subsequent results; • We used specialists in the area of Valuation in assessing the appropriateness of the model and the discount rate adopted by management and applied to the cash flow forecast; • We tested the methodology applied in the calculations and the mathematical accuracy of management's model by recalculating the model, applying the inputs used by management; and • We performed sensitivity analysis on the key assumptions in the model. **Key observations**: Based on the procedures performed, we noted no instances to suggest that management's judgements in estimating the contingent consideration were inappropriate.

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 level, 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.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group financial statements		Parent company financial statements	
	2020	**2019**	**2020**	**2019**
Materiality	$160,000	$160,000	$65,800	$115,000
Basis for determining materiality	Based on 3 year average loss before tax, adjusted for certain non-recurring transactions relating to the movement in contingent consideration in the year		2% of total assets	72% of Group materiality
Rationale for the benchmark applied	Primary KPI as relevant to the users of the financial statements evidenced by this metric being used to address the performance of the business by the Board, and is consistently referenced within the RNS announcements released by the Group.		Primary KPI as relevant to the users of the financial statements for a holding company. (2019: 72% of Group materiality given the assessment of the components aggregation risk.)	
Performance materiality	$120,000	$120,000	$49,300	$86,250
Basis for determining performance materiality	75% of materiality (2019: 75%) In reaching our conclusion on the level of performance materiality to be applied the main factor considered was our assessment of a number of factors including the expected total value of known and likely misstatements (based on past experience), our knowledge of the Group's internal controls and management's attitude towards proposed adjustments.			

Component materiality

We set materiality for the significant component of the Group at 75% of Group materiality (2019: 72%) based on the size and our assessment of the risk of material misstatement of that component. Component materiality was $120,000 (2019: $115,000). In the audit of the component, we further applied a performance materiality level of 75% of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of $8,000 (2019: $8.000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report and Accounts 2020, 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report	In our opinion, based on the work undertaken in the course of the audit: • the information given in the Strategic report and 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. In the light of the knowledge and understanding of the Group and 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.
Matters on which we are required to report by exception	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 statement of Directors' responsibilities set out on page 31, 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.

Extent to which the audit was capable of detecting irregularities, including fraud

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

- We have identified and assessed the potential risks related to irregularities, including fraud, by considering the following:
    - Obtaining an understanding of the legal and regulatory framework in which the Group operates. We considered provisions of other laws and regulations that do not have direct effect on the financial statements but compliance with which may be fundamental to the Group's ability to operate. The significant laws are considered to be international accounting standards in conformity with the Companies Act 2006, the Companies Act 2006 and relevant UK and US tax regulations.
    - The audit team received training prior to performing the audit procedures required to provide assurance over compliance with relevant UK and US laws and regulations.
    - Obtaining an understanding of how the Group is complying with those frameworks by making enquiries of management, those responsible for legal and compliance procedures and the Company Secretary. We corroborated our enquiries through our review of board minutes and papers provided to the Audit Committee.
    - Considering the processes and controls that the Group has established and the controls in place to mitigate risks in relation to non-compliance with laws and regulations;
    - Making enquiry of Group management and external legal counsel concerning actual and potential litigation and claims.

- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur.

    Our audit planning identified fraud risks in relation to
        - Revenue recognition - existence and accuracy - has been assessed as a Key Audit Matter above (KAM 1));
        - Contingent consideration – valuation - has been assessed as a Key Audit Matter above (KAM 2)); and
        - Management override.

    - We made enquiry of Group management to understand where they considered there was a susceptibility to fraud and regarding detection and response to the risk of fraud and any knowledge of actual, suspected or alleged fraud.
    - Reading the minutes of meetings of those charged with governance.
    - We considered the processes and controls that the Group has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how management monitors the processes and controls.
    - We designed our audit procedures to detect irregularities, including fraud. Our procedures included journal entry testing, with a focus on large or unusual transactions based on our knowledge of the business; enquiries with Group management and focused testing as referred to in the Key Audit Matters section above.
    - Third party confirmations were obtained directly from the Group's external legal counsel to audit the completeness of claims and legal matters;
    - Review of financial statements disclosures and testing to supporting documentation;
    - Assessing whether the judgements made in making accounting estimates are indicative of potential bias; and
    - Performing analytical procedures to identify any unusual or unexpected relationships which may indicate risks of misstatement due to fraud.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: 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.

BDO LLP

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

29 March 2021

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 2020

	Notes	2020 $'000	2019 $'000
Revenue	4	**3,292**	1,288
Cost of sales		**(2,138)**	(838)
Gross profit		**1,154**	450
Other operating income	5	**50**	62
Administrative expenses		**(2,595)**	(3,390)
Group operating loss before exceptional items	6	**(1,391)**	(2,878)
Exceptional (expense) / income on revaluation of contingent consideration	17	**(339)**	1,474
Exceptional income on organizational restructuring		**91**	-
Finance income	8	**-**	1
Gain on sale of associate		**-**	84
Share of loss of associate		**-**	(38)
Operating loss before tax from operations		**(1,639)**	(1,357)
Taxation	9	**(7)**	(1)
Loss for the year from operations		**(1,646)**	(1,358)
Loss for the year		**(1,646)**	(1,358)
Basic and diluted loss per share	10	**(0.5)**	(0.5)
Diluted loss per share	10	**(0.5)**	(0.5)

The accompanying notes 1 to 26 form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	**2020**	2019
		$'000	$'000
Loss for the year		**(1,646)**	(1,358)
Items that will be reclassified subsequently to profit or loss			
Exchange gains in translation of foreign operations		**8**	48
Total comprehensive loss for the year, net of tax		**(1,638)**	(1,310)
Attributable to:			
Equity holders of parent		**(1,638)**	(1,310)

The accompanying notes 1 to 26 form an integral part of the financial statements.

CONSOLIDATED AND COMPANY BALANCE SHEETS
At 31 December 2020

		Group		Company	
		31 Dec 2020	31 Dec 2019	**31 Dec 2020**	31 Dec 2019
	Notes	**$'000**	$'000	**$'000**	$'000
Non-current assets					
Property, plant and equipment	12	501	701	-	-
Right-of-use assets	19	746	920	-	-
Investment in subsidiary undertakings	11	**-**	-	**1,084**	1,053
		1,247	1,621	**1,084**	1,053
Current assets					
Inventories	13	**1,361**	504	**-**	-
Trade and other receivables	14	**463**	331	**49**	36
Cash and cash equivalents	15	**1,448**	765	**934**	240
		3,272	1,600	**983**	276
Total assets		**4,519**	3,221	**2,067**	1,329
Financed by					
Equity shareholders' funds					
Equity share capital	20	**5,718**	3,677	**5,718**	3,677
Equity share premium		**46,135**	46,135	**46,135**	46,135
Own shares reserve		**(5)**	(5)	**(5)**	(5)
Merger reserve		**31,343**	31,343	**3,582**	3,582
Share based payment reserve		**10,335**	10,317	**1,258**	1,240
Foreign translation reserve		**(211)**	(219)	**(2,150)**	(2,273)
Retained deficit		**(93,940)**	(92,245)	**(55,517)**	(53,807)
Total equity		**(625)**	(997)	**(979)**	(1,451)
Non-current liabilities					
Contingent consideration	17	**2,707**	2,441	**2,707**	2,441
Note payable	16	**51**	-	**-**	-
Lease liabilities	19	**476**	750	**-**	-
		3,234	3,191	**2,707**	2,441
Current liabilities					
Trade and other payables	16	**1,404**	707	**193**	339
Notes payable	16	**132**	-	-	-
Contingent consideration	17	**146**	-	**146**	-
Lease liabilities	19	**228**	320	**-**	-
		1,910	1,027	**339**	339
Total liabilities		**5,144**	4,218	**3,046**	2,780
Total equity and liabilities		**4,519**	3,221	**2,067**	1,329

CONSOLIDATED AND COMPANY BALANCE SHEETS

At 31 December 2020

The loss for the year for the Company amounted to $1,661k (2019: $4,894k). The financial statements of Itaconix plc, registered number 08024489, were approved by the Board of Directors for issue on 29 March 2021.

John R. Shaw	**James Barber**
Director	Director

The accompanying notes 1 to 26 form an integral part of the financial statements

CONSOLIDATED AND COMPANY STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 December 2020

Consolidated statement of changes in equity

	Equity share capital $'000	Equity share premium $'000	Own shares reserve $'000	Merger reserve $'000	Share based payment reserve $'000	Foreign translation reserve $'000	Retained deficit $'000	Total $'000
At 1 January 2019	3,677	46,135	(5)	31,343	10,293	(267)	(90,887)	289
Loss for the year	–	–	–	–	–	–	(1,358)	(1,358)
Exchange differences on translation of foreign operations	–	–	–	–	–	48	–	48
Share based payments	–	–	–	–	24	–	–	24
At 31 December 2019	**3,677**	**46,135**	**(5)**	**31,343**	**10,317**	**(219)**	**(92,245)**	**(997)**
Loss for the year	–	–	–	–	–	–	(1,646)	(1,646)
Share issuance proceeds	2,041	205	–	–	–	–	–	2,246
Share issuance expenses	–	(205)	–	–	–	–	(49)	(254)
Exchange differences on translation of foreign operations	–	–	–	–	–	8	–	8
Share based payments	–	–	–	–	18	-	–	18
At 31 December 2020	**5,718**	**46,135**	**(5)**	**31,343**	**10,335**	**(211)**	**(93,940)**	**(625)**

Company statement of changes in equity

	Equity share capital $'000	Equity share premium $'000	Own shares reserve $'000	Merger reserve $'000	Share based payment reserve $'000	Foreign translation reserve $'000	Retained deficit $'000	Total $'000
At 1 January 2019	**3,677**	**46,135**	**(5)**	**3,582**	**1,216**	**(2,455)**	**(48,913)**	**3,237**
Loss for the year	–	–	–	–	–	–	(4,894)	(4,894)
Exchange differences on translation of foreign operations	–	–	–	–	–	182	–	182
Share based payments	–	–	–	–	24	–	–	24
At 31 December 2019	**3,677**	**46,135**	**(5)**	**3,582**	**1,240**	**(2,273)**	**(53,807)**	**(1,451)**
Loss for the year	–	–	–	–	–	–	(1,661)	(1,661)
Share issuance proceeds	2,041	205	–	–	–	–	–	2,246
Share issuance expenses	–	(205)	–	–	–	–	(49)	(254)
Exchange differences on translation of foreign operations	–	–	–	–	–	123	–	123
Share based payments	–	–	–	–	18	–	–	18
At 31 December 2020	**5,718**	**46,135**	**(5)**	**3,582**	**1,258**	**(2,150)**	**(55,517)**	**(979)**

The accompanying notes 1 to 26 form an integral part of the financial statements.

CONSOLIDATED AND COMPANY STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 December 2020

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 less the cost of issuance of shares.

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 2020

		Group		Company	
		2020	2019	**2020**	2019
	Notes	**$'000**	**$'000**	**$'000**	**$'000**
Net cash (outflow) / inflow from operating activities	21	**(1,157)**	(1,831)	**(74)**	210
Proceeds from sale of property, plant and equipment		**20**	40	-	-
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		-	-	**(1,224)**	(2,164)
Net cash inflow / (outflow) from investing activities		**20**	275	**(1,224)**	(2,164)
Cash received from issue of shares		**2,246**	-	**2,246**	-
Transactions costs paid on the issue of shares		**(254)**	-	**(254)**	-
Proceeds from government secured debt		**183**	-	-	-
Repayment of lease liability		**(327)**	(320)	-	-
Interest paid - leases		**(28)**	(14)	-	-
Net cash inflow / (outflow) from financing activities		**1,820**	(334)	**1,992**	-
Net inflow / (outflow) in cash and cash equivalents		**683**	(1,890)	**694**	(1,954)
Cash and cash equivalents at beginning of year		**765**	2,655	**240**	2,194
Cash and cash equivalents at end of year		**1,448**	765	**934**	240

The accompanying notes 1 to 26 form an integral part of the financial statements

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2020

1. General Information

Itaconix plc ("the company") is a public limited company incorporated in England and Wales. The address of its registered office and principal place of business is set out on page 72. The principal accounting policies adopted by the Group are set out in note 2. The nature of the Group's operations and its principal activities are set out in the Strategic Report. The principal activities of the Company and its subsidiaries are described in note 4. The financial statements have been presented in US Dollars and rounded to the nearest thousand ($'000) unless otherwise indicated.

2. Accounting policies

Basis of presentation

The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006 and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006. The financial information has been prepared on the historical cost basis except that financial instruments are stated at the fair value.

While the Company's functional currency is British Pounds Sterling, the Group's financial statements have been presented in US Dollars. The directors believe this better reflects the underlying nature of the business. Approximately ninety per cent of the Group's revenue and operating costs are denominated in US Dollars. The exchange rates used for translation of British Pounds Sterling amounts are 1.3663 US Dollars to British Pounds Sterling as at 31 December 2020 and 1.2833 US Dollars to British Pounds Sterling as the average rate prevailing during 2020.

Itaconix applied all standards and interpretations issued by the IASB that were effective as of 1 January 2020. The accounting policies set out below have, unless otherwise stated, been applied consistently to all years presented in this financial information.

The preparation of the financial statements, in conformity with IFRS, requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying Itaconix's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 3.

Adoption of new and revised standards

There are no new standards impacting the Group that have been adopted in the annual financial statements for the year ended 31 December 2020, which have given rise to material changes in the Group's accounting policies.

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 $1,391k, had Net Current Assets at the period end of $1,308k and a Net Cash Outflow from Operating Activities of $1,157k. 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 $1,448k.

During the year, the Group reduced its expenditures and 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.

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 Group 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 3)

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.

On 28 May 2020, the IASB issued final amendments to IFRS 16 related to Covid-19 rent concessions for lessees. The amendments modify the requirements of IFRS 16 to permit lessees to not apply modification accounting to certain leases where the contractual terms have been affected due to Covid-19 (e.g. rent holidays or other rent concessions). The amendments are effective for periods beginning on or after 1 June 2020, with earlier application permitted. The Group did not adopt this standard as no such concessions were applicable.

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.

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.

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.

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 aware 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 finance income, movement on investment in associate, organizational restructuring, and the fair value adjustment of the contingent consideration 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.

3. 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 17 for further details.

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 14).

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 19)

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 17 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 22).

4. Revenue

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

	2020	2019
	$'000	$'000
Sale of goods	**3,292**	1,288
	3,292	1,288

Geographical information

	2020	2019
	$'000	$'000
North America	**2,869**	1,128
Europe	**423**	160
	3,292	1,288

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 being the Group's principal activities.

Net assets of the Group (being total assets less total liabilities) are attributable to geographical locations as at 31 December 2020 as follows:

	2020	2019
	$'000	$'000
North America	**932**	1,251
Europe	**(1,557)**	(2,248)
	(625)	(997)

5. 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.

	2020	2019
	$'000	$'000
Grant and research income	**30**	94
Profit / (loss) on sale of assets	**20**	(32)
	50	62

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2020

6. Group operating loss

This is stated after charging:

	2020 $'000	2019 $'000
Auditor's remuneration:		
Audit of the financial statements	**10**	10
Audit of the subsidiaries	**121**	76
Non-audit services	**4**	6
Total fees	**135**	92
Equity settled share based payment expense	**18**	24
Employer's national insurance (credit) associated with vested share options	**-**	(16)
Depreciation of owned assets	**200**	223
Amortisation of right-of-use assets	**198**	198
Profit on disposal of lease liability	**(91)**	-
Research and development expenditure	**130**	101
Foreign exchange differences	**55**	56
Profit on disposal of equipment	**20**	(32)

7. Staff costs

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

	2020 $'000	2019 $'000
Wages and salaries	**1,443**	1,457
Invoiced by third parties	**-**	8
Post-employment benefits	**34**	35
Equity settled share based payment expense	**18**	24
	1,495	1,524

Details of Directors' fees are included in the Directors' Remuneration Report on page 24 to 25.

Details of key management personnel fees are included in note 23.

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

	2020 No.	2019 No.
Executive Directors	**1**	1
Non-executive Directors	**3**	3
Research and development	**4**	5
Finance and administration	**2**	2
Sales	**2**	2
Production	**3**	2
Contract staff	**1**	1
	16	16

Itaconix plc had no employees other than the Directors.

8. Finance income

	2020 $'000	2019 $'000
Interest receivable on bank deposits	-	1

9. Taxation

	2020 $'000	2019 $'000
Corporation tax credits		
Prior years' corporation tax credits	-	7
Current year corporation tax liability	(7)	(8)
Corporation tax credits	(7)	(1)

During the year ended 31 December 2020, the Group had a taxation expense of $7k (2019: $1k) of which relates a provision of $7k for US taxation payable in respect of 2020 by the US subsidiary.

Total tax on loss on ordinary activities

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

	2020 $'000	2019 $'000
Loss before tax relief	(1,639)	(1,357)
Loss on ordinary activities multiplied by standard UK corporation tax rate of 19% (2019:19%)	(311)	(258)
Effects of:		
Disallowed expenses & non-taxable income	80	(245)
Adjustments in respect of prior periods	73	-
Other timing differences	-	(7)
Movement in deferred tax not recognised	165	511
Total tax expense for the year	7	1

Deferred tax

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

	2020 $'000	2019 $'000
Accelerated capital allowances	1	1
Other timing differences	509	517
Tax losses carried forward	9,333	9,155
Share based payments	-	5
	9,843	9,678

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 no 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.

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

10. 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.

	2020	2019
Loss	**$'000**	$'000
Loss for the purposes of basic and diluted loss per share	**(1,646)**	(1,358)
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share ('000)	**344,970**	269,130
Basic and diluted loss per share	**(0.5)¢**	(0.5)¢

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 2020 are identical to those used for the basic earnings per share. This is because the outstanding share options (note 22) would have the effect of reducing the loss per ordinary share and would therefore not be dilutive.

11. 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.

	Company
	$000
At 1 January 2019	1,010
Foreign translation adjustment	43
At 31 December 2019	1,053
Foreign translation adjustment	31
At 31 December 2020	**1,084**

Name	**Principal activity**	**Place of incorporation and operation**	**Proportion of ownership interest**
Direct investments			
Itaconix (U.K.) Limited (1)	UK operating company	England	100%
Itaconix EBT Limited (1)(3)	Trustee of Itaconix employee benefit trust	England	100%
Indirect investments			
Itaconix Corporation (2)	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.

12. Property, plant and equipment

Group	Computer and office equipment $'000	Plant and equipment $'000	Short Leasehold improvements $'000	Total $'000
Cost				
At 1 January 2019	25	1,284	96	1,405
Additions	–	39	-	39
Impairment	–	(43)	-	(43)
Disposals	-	(44)	-	(44)
At 31 December 2019	25	1,236	96	1,357
Additions	–	-	-	-
Impairment	–	-	-	-
Disposals	–	-	-	-
At 31 December 2020	**25**	**1,236**	**96**	**1,357**
Accumulated depreciation				
At 1 January 2019	20	364	49	433
Charge	5	199	19	223
Eliminated on disposal	-	-	-	-
At 31 December 2019	25	563	68	656
Charge	-	181	19	200
Eliminated on disposal	-	-	-	**-**
At 31 December 2020	**25**	**744**	**87**	**856**
Carrying Amount				
At 31 December 2020	**-**	**492**	**9**	**501**
At 31 December 2019	-	673	28	701

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. In 2020, some of these assets were sold and $20k gain was recognized on the sale of the assets.

13. Inventories

Group	2020 $'000	2019 $'000
Raw materials	**279**	42
Work in progress	**6**	4
Finished goods	**1,111**	469
Inventory reserve	**(35)**	(11)
	1,361	504

14. Trade and other receivables

Current assets	**Group**		**Company**	
	2020	2019	**2020**	2019
	$'000	$'000	**$'000**	$'000
Trade receivables	**411**	247	-	**-**
Amounts owed by Group companies	**-**	**-**	-	**-**
Other receivables	**52**	84	49	36
	463	331	49	36

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

As at 31 December 2020, a provision of $86k (2019: $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.

In respect of the Company

- There is significant doubt as to the future recoverability of these balances, and as such, a provision for bad and doubtful debts has been raised against the amounts due from Group undertakings. 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 2020 the balance of the fair value of debt from Group undertakings before adjustment for impairment is $44,696k (2019: $43,472k).
- The loss for the year includes a release of fair value impairment of Group indebtedness of $1,224k resulting from a movement in provisions for this indebtedness (2019: $2,164k).

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

Group	**Total**	**Neither past due nor impaired**	**<30 days**	**30–60 Days**	**60–90 days**	**90–120 days**	**>120 Days**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
2020	411	-	404	-	-	-	7
2019	247	-	155	36	14	2	40

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.

Non-current assets	**Group**		**Company**	
	2020	2019	**2020**	2019
	$'000	$'000	**$'000**	$'000
Amounts owed by Group companies	-	**-**	-	**-**
	-	**-**	-	**-**

15. 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	
	2020	2019	**2020**	2019
	$'000	$'000	**$'000**	$'000
Cash at bank and in hand	**1,448**	765	**934**	240

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.

16. Current liabilities

Current liabilities

	Group		Company	
	2020	2019	**2020**	2019
	$'000	$'000	**$'000**	$'000
Trade payables and other payables	**1,088**	307	**57**	65
Accruals	**316**	400	**136**	274
Note payable	**132**	-	-	-
Contingent consideration	**146**	-	**146**	-
Lease liabilities (note 19)	**228**	320	-	-
	1,910	1,027	**339**	339

The US Government provided support to US companies through the Small Business Administration Paycheck Protection Program (SBA PPP), the US Corporation applied for support under the SBA PPP and received a note payable for $183k. The note bears interest at one per cent (1.00%) and is payable over 18 months beginning on 6 December 2020. Interest of $1k has been charged in the year. The US Corporation has applied for forgiveness of the outstanding principal and any interest on the loan amount from the SBA PPP as funds were used to support the US Corporation's employees during the global pandemic, Covid-19. As of the date of this report, the loan is still outstanding.

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

17. Contingent Consideration

	Contingent consideration			
	Group		**Company**	
	2020	2019	**2020**	2019
	\$'000	**\$'000**	**\$'000**	**\$'000**
As at 1 January	2,441	3,891	2,441	3,891
Movement in fair value and discounting unwind	339	(1,474)	339	(1,474)
Foreign exchange effect	73	24	73	24
As at 31 December	2,853	2,441	2,853	2,441
Current	146	–	146	–
Non-current	2,707	2,441	2,707	2,441

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 2022 (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. Accordingly, they were not 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 were 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 2020, 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 10.9% was used (2019: 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 \$2.9m (2019 - \$2.4m).

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 2020 was increased to $2.9m. 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 $46k

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

18. 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	
	2020	2019	**2020**	2019
	$'000	$'000	**$'000**	$'000
Financial assets				
Cash	**1,448**	765	**934**	240
Trade and other receivables	**463**	331	**49**	36
Intercompany receivable	**-**	-	**-**	-
Financial liabilities				
Trade and other payables	**(1,404)**	(707)	**-**	(339)
Note payable	**(183)**	-	**-**	-
Lease liabilities	**(704)**	(1,070)	**-**	-
Contingent consideration	**(2,853)**	(2,441)	**(2,853)**	(2,441)
	(3,233)	(3,122)	**(1,870)**	(2,504)

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 2020, there were no significant credit risk balances.

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 (2019: nil). At 31 December 2020 the bank balances on hand of foreign currencies were:

Currency	**2020 '000**	2019 '000
GBP	**344**	367
EUR	**-**	78

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 2020:

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	**-**	**974**	**430**	**-**	**-**	**1,404**
Contingent consideration	**-**	**146**	**-**	**3,301**	**-**	**3,447**
Lease liability	**-**	**63**	**189**	**681**	**-**	**933**
Note payable	**-**	**39**	**93**	**51**	**-**	**183**
	-	**1,222**	**712**	**4,033**	**-**	**5,967**

At 31 December 2019:

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

The range of interest rates applicable to instant access deposit accounts and term deposits at 31 December 2020 was 0.25% to 1.00% per annum (2019: 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 US Government provided support to US companies through the Small Business Administration Paycheck Protection Program (SBA PPP), the US Corporation applied for support under the SBA PPP and received a note payable for $183k. The note bears interest at one per cent (1.00%) and is payable over 18 months beginning on 6 December 2020.

The Group has no floating rate committed borrowing facilities as at 31 December 2020 (2019: 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.

19. 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 was another office facility in Deeside, Flintshire, UK that expires in July 2021, but which was surrendered to the landlord in September 2020. There was an exceptional income recognized from the surrender of $91k due to the onerous lease liability being released.

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 reclassifications and the adjustments arising from the new accounting standard were recognized in the opening balance sheet on 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.

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.

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

	Leased Building $’000
At 1 January 2019	1,118
Amortisation	(198)
Exchange differences	-
At 31 December 2019	920
Additions in year	24
Amortisation	(198)
Exchange differences	-
At 31 December 2020	746

Lease liability

	Leased Building $’000
At 1 January 2019	1,384
Additions in year	-
Interest expense	14
Lease payments	(334)
Exchange differences	6
At 31 December 2019	1,070
Additions in year	24
Interest expense	28
Lease payments	(327)
Lease termination	(91)
Exchange differences	-
At 31 December 2020	704

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 2020, the maturity of the lease liability is as follows:

	Up to 3 months $’000	**Between 3 months and 12 months $’000**	**One to two years $’000**	**Two to five years $’000**
Leased building	53	152	190	287
Leased equipment	2	4	5	13

20. Share capital

	Group $000	Company $000
At 1 January 2019 (269,130,071 shares in issue)	3,677	3,677
Issued as a result of an exercise of options		
Nil	-	-
New share issued		
Nil	-	-
At 31 December 2019 (269,130,071 shares in issue)	3,677	3,677
Issued as a result of an exercise of options		
Nil	-	-
New share issued		
08/07/20 – 11,549,134	145	145
15/07/20 – 151,769,048	1,896	1,896
At 31 December 2020 (432,448,253 shares in issue)	5,718	5,718

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

On 8 July 2020, the Company issued 11,549,134 ordinary shares with a nominal value of 1p per share for 1.1p per share. The consideration was received in cash.

On 15 July 2020, the Company issued 151,769,048 ordinary shares with a nominal value of 1p per share for 1.1p per share. The consideration was received in cash.

21. Notes to the statements of cash flow

	Group		Company	
	2020 $'000	2019 $'000	**2020 $'000**	2019 $'000
Loss before tax	**(1,639)**	(1,357)	**(1,661)**	(4,894)
Depreciation of property, plant and equipment	**200**	223	-	-
Amortisation of right-of-use asset	**198**	198	-	-
Disposal of equipment	**(20)**	42	-	-
Impairment of Group indebtedness	-	-	**1,224**	6,169
Revaluation of deferred consideration	**412**	(1,450)	**412**	(1,450)
Exceptional income on reorganization	**(91)**	-	**-**	-
Loss on foreign exchange	**8**	48	**92**	182
Gain on sale of associate	-	(84)	-	-
Share based payments charge	**18**	24	**18**	24
Share of loss / profit from associate	-	38	-	-
Recovery of loan to associate	-	(29)	-	-
Taxation	**(7)**	(1)	-	-
Operating cash flows before movements in working capital	**(921)**	(2,348)	**85**	31
Increase in inventories	**(857)**	(117)	-	-
(Increase) / decrease in receivables	**(132)**	542	**(13)**	(27)
Increase / (decrease) in payables	**753**	92	**(146)**	206
Net cash outflow from continuing operating activities	**(1,157)**	(1,831)	**(74)**	210

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2020

22. 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 2020 is $18k (2019: $24k) as disclosed in note 7.

During the year to 31 December 2020 no share options (2019: 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. UK 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"). US employees did receive share options under the US Option scheme (and with an exercise price of 120% of the 3-day weighted average 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 UK Employee Options	2019 US Employee Options
2020 Option Grant				
Number of options granted	nil	nil	nil	4,900,000
Exercise price	£nil	£nil	£nil	£0.027
Expected volatility	nil	nil	nil	132.62%
Risk free rate	nil	nil	nil	0.83%
Expected dividend yield	nil	nil	nil	0%
Expected option life	nil	nil	nil	3-4 years
2017 Option Grant				
Number of options granted	2,096,282	1,582,127	834,051	nil
Exercise price	£nil	£nil	£0.235	£nil
Expected volatility	33.1%	33.1%	33.1%	nil
Risk free rate	0.4%	0.4%	0.4%	nil
Expected dividend yield	0%	0%	0%	nil
Expected option life	36 months	36 months	36 months	nil

The Employee Options have a vesting period of 36-48 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 2020. The charge for share based payments for the period to 31 December 2020 is accordingly $18k (31 December 2019 $24k).

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2020

Employee share option plans – 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:

Unvested	**2020 Number of shares**	**WAEP**	2019 Number of shares	WAEP
Balance at beginning of year	**136,859**	**£0.25**	1,892,396	£0.04
Awarded during year	**4,900,000**	**£0.03**	-	£nil
Lapsed during the year	**(136,859)**	**£0.25**	(1,755,537)	£0.02
Unvested options at end of year	**4,900,000**	**£0.03**	136,859	£0.25

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:

Unvested	**2020 Number of shares**	**WAEP**	2019 Number of shares	WAEP
Balance at beginning of year	**893,941**	**£nil**	6,158,491	£nil
Awarded during year	**-**	**£nil**	**-**	£nil
Lapsed during the year	**(893,941)**	**£nil**	(5,264,550)	
Unvested options at end of year	**-**	**£nil**	893,941	£nil

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	**2020 Number of shares**	**WAEP**	2019 Number of shares	WAEP
Balance at beginning of year	**1,030,800**	**£0.08**	6,915,677	£0.08
Awarded during the year	**4,900,000**	**£0.03**	**-**	£nil
Lapsed during the year	**(1,030,800)**	**£0.08**	(5,884,877)	£nil
Exercised during the year	**-**	**£nil**	**-**	£0.01
Balance at end of year	**4,900,000**	**£0.03**	1,030,800	£0.08

23. Related party transactions

Transactions with key management personnel

Remuneration of key management personnel

The remuneration of the Directors and Executives, 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'.

	2020 **$'000**	2019 $'000
Salaries and other short-term employee benefits	**793**	784
Post-employment benefits	**19**	18
Directors' fees invoiced by third parties	**-**	8
Equity settled share based payment expense	**13**	9
	825	819

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.

2020	**Receipts from related parties $'000**	**Payments to related parties $'000**	**Amounts due to related parties $'000**	**Amounts due from related parties $'000**
None	–	–	–	–

2019	Receipts from related parties $'000	Payments to related parties $'000	Amounts due to related parties $'000	Amounts due from related parties $'000
IP2IPO Services Limited	–	8	–	–
Alkalon A/S	61	–	–	–

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.

24. Contingent assets

There were no contingent assets in 2020 (2019 - nil).

25. Contingent liabilities

There were no contingent assets in 2020 (2019 - nil).

26. Post Balance Sheet Events

There were no material post balance sheet events.

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