Itaconix plc

(formerly called Revolymer plc)

Annual report and accounts 2016

CONTENTS

CAUTIONARY STATEMENT

Sections of this Annual Report, including but not limited to the Directors' Report, the Strategic Report and the Directors' Remuneration Report may contain forward-looking statements with respect to certain of the plans and current goals and expectations relating to the future financial condition, business performance and results of the Group. These have been made by the Directors in good faith using information available up to the date on which they approved this report. By their nature, all forward-looking statements involve risk and uncertainty because they relate to future events and circumstances that are beyond the control of the Group and depend upon circumstances that may or may not occur in the future. There are a number of factors that could cause actual future financial conditions, business performance, results or developments to differ materially from the plans, goals and expectations expressed or implied by these forward-looking statements and forecasts. Nothing in this document should be construed as a profit forecast.

DEFINITIONS AND TERMINOLOGY

References in this Annual Report to 'Itaconix', 'Revolymer', the 'Group' or the 'Company' all refer to Itaconix plc or its business as the context requires, and references to the 'Directors' and 'Board' refer to the Board of Directors of Itaconix plc. References to "Admission" and "IPO" refer to the admission of Revolymer to trading on the Alternative Investment Market of the London Stock Exchange (AIM Market) in July 2012, and references to "AIM" refer accordingly to the AIM Market operated and regulated by the London Stock Exchange. References to "IP" refer to intellectual property.

Highlights

2016 Business Highlights

Strategic refocus

During 2016 Itaconix plc (formerly Revolymer plc) ("Itaconix" or the "Company") undertook a major reorganisation to focus on its Specialty Chemicals business primarily in the high value market areas of Homecare, Personal Care and Industrial. Itaconix and its subsidiaries (the "Group") aim to be a leader in functional polymers that improve the safety, performance and sustainability of its customer's products.

Structural developments

Key steps in this strategic transformation included the following:

- *Acquisition of Itaconix Corporation* – on 20 June 2016 the Group announced that it had unconditionally agreed to acquire Itaconix Corporation based in New Hampshire, USA, for an initial consideration of $7m (at the time approximately £4.9m) comprising $3m in cash and $4m in new shares, plus further deferred performance related consideration of up to $6m payable in new shares;

- *Refinancing* – Itaconix raised £5.8m (before expenses) in two tranches in June and July 2016 through the placing of 15,680,222 new shares at 37 pence per share;

- *Divestment of Nicotine Gum Business* – on 31 October 2016 the Group completed the divestment of its nicotine gum business to the Danish company Alkalon A/S ("Alkalon"), for a 15% equity holding in the combined new business, which may increase to 20% if additional specific contracts in Canada are secured within nine months of completion;

- *Corporate rebranding* – after the period end, on 1 March 2017 it was announced that the Company had changed its name to Itaconix plc, marking the refocus of the business on specialty chemicals and away from nicotine gum;

- *Plant expansion* – a $1m investment has been made to upgrade the Group's polyitaconate manufacturing facility in New Hampshire, quadrupling the previous capacity. After successful commissioning, the facility came on line in March 2017.

Business model

Following these developments, the Group now has a portfolio of specialty products to supply to its customers in its key market segments of Personal Care, Homecare and Industrial. All of these segments are global in nature, consistently delivering high growth rates and attractive margins. There are significant benefits to a product based business versus a licence only model including greater customer intimacy, more control over execution timelines and greater margin potential.

Itaconix is an innovator, developing new products to meet customer needs. As well as having expertise in designing novel polymer products that can be protected with patents and know-how, the business has also developed application and formulation expertise that provides better insights into how polymers can be used to provide cost effective solutions for its customers.

Itaconix is engaged in building a high margin, capital efficient business. Except for its relatively low cost polyitaconate manufacturing facility, the business uses third party contract manufacturers for a number of its products.

Commercial Progress

Itaconix continues to launch new products, gain commercial traction, generate revenue starts and conclude partnership deals:

- Launch of RevCare NE 100S – This new bio-based, high performance hair styling ingredient was launched at the Global In-Cosmetics show in April 2016;

Highlights (continued)

- The first commercial sale of Itaconix® CHT™ was made in September 2016 for use in a private label automatic dish wash formula, with further sales awaited;
- Croda – On 23 January 2017, Itaconix announced that it had signed an exclusive global supply and joint marketing agreement with Croda Inc. (“Croda”) in respect of its polymer-based odour removal additive Itaconix® ZINADOR™ 22L (“ZINADOR”). Itaconix will produce ZINADOR for Croda and Croda will market and sell ZINADOR in household, municipal, animal and industrial applications. This was followed in March 2017 by the first major purchase order from Croda for ZINADOR;
- AkzoNobel – On 27 January 2017, Itaconix announced that it had signed a joint development agreement with AkzoNobel Chemicals International B.V. (“AkzoNobel”) to advance commercial collaborations in certain applications for the itaconic acid polymer technology platform.

Management and Board

The management team has been augmented during the year with the addition of John Shaw and Dr Yvon Durant from the management of Itaconix Corporation, and the appointment of Dr Louise Crascall as Chief Commercial Officer with responsibility for the Personal Care business area.

The Board of Directors has also undergone change, with the appointment in September 2016 of chemicals industry veteran Dr Jim Barber as the nominee director of the former shareholders of Itaconix Corporation and the retirement of Jack Keenan and Robert Frost at the 2016 year end.

2016 Financial Highlights

- £8.8m of short term deposits, cash and cash equivalents on hand at the year end (2015:£10.5m);
- Financial reporting for the year split into continuing operations (Specialty Chemicals including the US business of Itaconix Corporation acquired in June 2016) and discontinued operations (Nicotine Gum);
- Continuing operations revenue of £0.3m (2015: £0.0m), primarily Itaconix® DSP™, resulting in a gross profit of £0.1m (2015: £0.0m);
- Continuing operations administrative expenses (including research and development expenditure) of £5.3m (2015: £2.7m). The increase of £2.6m is explained by (i) an increase in non cash charges relating mainly to the acquisition of Itaconix of £1.0m; (ii) £0.3m of costs not expected to be recurring; (iii) the cost of running the new US business including research and development of £0.6m; (iv) additional UK staff costs including research and development of £0.3m; (v) additional other development costs of £0.1m; and (vi) additional advisory (including external finance and audit) costs of £0.1m;
- Accordingly, Group operating loss before taxation was £5.2m (2015: £2.6m), the difference mainly accounted for by the increase in administrative expenses, half of which were non cash or non recurring;
- Continuing operations loss for the year of £5.1m (2015: £0.7m), after R&D tax credits of £0.5m, (2015: £1.8m in total in respect of the 4 years 2012 to 2015 inclusive) and share of loss of associate of £0.5m (2015: nil);
- Net operating cash outflow from continuing operations before R&D tax credits of £3.9m (2015 £2.9m). The components of the £1.0m increase in the cash out flow were (i) £0.6m to fund the US business since acquisition; (ii) £0.2m of increased UK operating costs; and (iii) £0.2m of acquisition related transaction costs;
- Intangible assets of £10.1m (2015: nil), comprising intellectual property of £3.5m (2015: nil) and goodwill of £6.7m (2015: nil), relating to the acquisition of Itaconix Corporation;
- Non-current liabilities of £4.9m (2015: nil) comprising the fair value of deferred consideration payable to the former shareholders of Itaconix Corporation of £3.4m (2015: nil) and deferred tax in relation to the Itaconix Corporation intellectual property intangible assets acquired of £1.5m (2015: nil);
- Discontinued operations: loss after tax of £0.6m (2015: £1.1m) and net cash out flow of £1.3m (2015: £1.0m), reflecting 10 months of the Nicotine Gum business before divestment on 31 October 2016.

A. Strategic report

A1. Chairman's statement

I am pleased to present my report as Chairman of the recently renamed Itaconix plc (formerly known as Revolymer plc). Itaconix is a specialty chemicals business which sells proprietary functional products or licences technology to the global, high growth and high margin market sectors of Personal Care, Homecare and Industrial. In summary, 2016 was a transformational year in the development of the Itaconix Group during which it has made significant progress in delivering its strategy.

Strategy and implementation

Historically the Group developed proprietary polymer technology commercialised through chewing gum products, technology licences and other product sales into targeted applications. In 2015 the Group's strategy was reset to transform the company into a more broadly based specialty chemicals business and the organisation was restructured accordingly. In 2016 further key steps were taken including:

– the divestment of the nicotine gum business to Alkalon; and

– the acquisition of Itaconix Corporation, a US specialty chemicals business with complementary proprietary products and technology.

In addition to these structural steps, the business launched a number of new products and established a supply chain infrastructure enabling the production of specialty chemicals, using a combination of in-house manufacture of polyitaconates and contract manufacturers.

With this platform established, the Group is well placed for the key opportunity of 2017 of delivering accelerated revenue growth and moving towards profitability.

Business performance

The acquisition of Itaconix Corporation has significantly broadened the product portfolio of the Group through the inclusion of products based on the polymerisation of itaconic acid. This is important in a number of ways; for example sodium polyitaconate is the active used in RevCare™ NE our hair styling polymer for the Personal Care market, and products including Itaconix®DSP™ and Itaconix®CHT™ are already being actively marketed and sold in the Homecare business area. The revenues generated by these specialty chemical products are higher quality than the revenues generated by the legacy nicotine gum products, and as a result we expect gross profit margins to improve.

Although the key strategic changes have been carried out successfully, the initial rate of revenue growth has been slower than anticipated. However, in early 2017, there has been significant commercial progress with the signing of an exclusive global supply and joint marketing agreement with Croda relating to the odour removal additive ZINADOR, and a framework joint development agreement with AkzoNobel that should enable a number of commercial collaborations.

I look forward to reporting further product launches and growing revenues as the year progresses.

Shareholder engagement

In order to support the acquisition of Itaconix Corporation and fund the combined business going forward, we engaged with existing and new shareholders during the year and are very pleased that they chose to support our strategy, enabling us to raise £5.8m before expenses in July 2016. We also welcome the US-based shareholders of Itaconix Corporation to our register, having received $4m worth of Company shares as part consideration for the acquisition.

Looking forward, we have an active engagement program designed to broaden and diversify our shareholder base, supported by our new NOMAD and broker N+1 Singer appointed from the start of January 2017. We plan to use the recent re-launch of the business under the Itaconix name as a platform to interact broadly with institutional and private investors to clearly broadcast the Itaconix story and strategy.

The Notice of Annual General Meeting ("AGM") that accompanies this Annual Report sets out the business for our forthcoming AGM and we encourage all our shareholders, large or small, to attend and participate.

Corporate governance

The Board continues to monitor and, where appropriate, amend governance and control structures, including for example a comprehensive business risk assessment and mitigation process, and a medium term strategic planning cycle that is used to focus business priorities and drive the annual budget process.

The Board meets regularly during the year to monitor business performance and is provided with timely and relevant information before each meeting.

Although full compliance with the UK Corporate Governance Code (the "Code") issued by the Financial Reporting Council is not compulsory for AIM companies, the Board has chosen to apply those principles of the Code considered appropriate, taking into consideration Itaconix's size, stage of operations and the recommendations contained in the Corporate Governance Code for Small and Mid-Size Quoted Companies 2013 ("QCA guidelines"). We intend to move towards full compliance over time, as the business grows and matures.

The Group's disclosures in respect of Corporate Governance (Section B2) include expanded disclosures on the work of the committees of the Board, and information on Directors' remuneration is provided in Section B3.

The performance, constitution and function of the Board of Directors was considered after the acquisition of Itaconix Corporation in the third quarter of 2016, around the time Jim Barber joined the board as the nominee of the Itaconix Corporation shareholders. As previously announced, Jack Keenan had already expressed an interest in retiring from the Board given his tenure since 2008, and both Jack and Robert Frost retired from the board with effect from 31 December 2016. With these changes in place, we feel that the size of, and range of experience and expertise across, the Board is appropriate for overseeing delivery of the current strategy. I would like to take this opportunity to thank Jack Keenan for his contribution to the development of Itaconix, including as the Chairman of the Board. I would also like to thank Robert Frost for his valuable industry insight and strategic guidance to the Group in his role as a Non-executive Director.

Conclusion

2016 has been a continued period of change and evolution for the business, and I and the rest of the Board firmly believe that, under the strong leadership of Kevin Matthews, Itaconix is well placed to continue delivery against its strategy. The Board recognises that the reconfigured business is still at an early stage in its commercial development and so is not expected to become profitable in 2017, but we do expect that this year will see a number of new customers and revenue starts for Itaconix that will establish the basis for future revenue growth and profitability.

Dr Bryan Dobson
Chairman

A2. Business model and strategy

A2.1 The Group's business

Itaconix plc, previously Revolymer plc, underwent a major refocusing of its business in 2016 with the acquisition of US-based Itaconix Corporation in June 2016 and the divestment of its nicotine gum business at the end of October 2016. The business was rebranded as Itaconix plc on 1 March 2017 to emphasise this change in focus and the acceleration of its development as a specialty chemicals business.

The strategic repositioning summarised above also results in a clearer vision for the expanded business. Itaconix aims to be a leader in functional polymers that improve the safety, performance and sustainability of its customer's products.

Itaconix designs and manufactures proprietary specialty polymers to meet customers' needs. We are the world leader in polymers from itaconic acid, combining the versatile chemistry of itaconic acid with breakthrough economics. We are establishing a pipeline of products that compete on unique functionality and cost advantages in the home care and industrial markets and in personal care. Itaconix also uses its specialty polymers to encapsulate sensitive active ingredients used in everyday products, such as bleach actives and fragrances, enabling the actives to be deployed more effectively and/or efficiently.

Itaconix's open and collaborative style has successfully led to its technology and products being adopted by leading industry players such as Solvay, Croda and AkzoNobel. Our polymers are used in a number of consumer and industrial products to reduce cost, improve performance, and reduce the impact on the environment. In short, we make polymers for better living.

Itaconix's business model

The main focus of the business is the development and supply of specialty products. There are significant benefits to a product based business including greater customer intimacy, more control over execution timelines and greater margin potential. However, in certain market areas Itaconix recognises that due to the nature of the supply chain (e.g. high volume, consolidated markets) licensing is a more effective way to commercialise its technology.

Itaconix is an innovator, developing new products to meet customer needs. As well as having expertise in designing novel polymer products that can be protected with patents and know-how, the business has also developed application and formulation expertise that provides a better insight into how polymers can be used to provide cost effective solutions for its customers.

Itaconix is engaged in establishing and building a high margin, capital efficient business. Except for its relatively low cost polyitaconate manufacturing facility, the business uses third party contract manufacturers for a number of its products.

Key Performance Indicators (KPIs)

In addition to its review of financial results, the Board uses a number of KPIs to assess Itaconix's performance. As might be expected for an evolving business at a relatively early stage of commercial development, the KPIs have changed over recent years in order to align with the progress of the business. As the business has developed the Board has attached (and will continue to attach) growing significance to the generation of value (e.g. measured using discounted cash flow techniques), revenues, contribution and profit. A comparison of the KPIs used in 2015 to those used in 2016 is described in the table below:

2015 KPI's	**2016 KPI's**	**2016 Performance against KPI's**
Value of commercial deals	Value of commercial deals with a target of £5m	Not met
Contribution margin in excess of a threshold target	Contribution margin in excess of a threshold target	Not met
Development of nicotine gum for US market	Divestment of nicotine gum business	Achieved
–	Establishing two supply chains	Achieved

Performance against these KPIs was used to incentivise employees through the annual bonus scheme, and an explanation of how this has been operated in 2016 is provided under B3.3.2 below in the discussion of the link between pay and performance.

Whilst two of the KPIs were not met in 2016 relating to deal value and contribution margin in excess of a threshold, the Board notes that two deals with significant industry players were closed in January 2017. Also, the acquisition of Itaconix Corporation was not counted in the measurement of deal value and the Board is comfortable that, together with the divestment of the nicotine gum business, the Group is now well positioned for commercial progress in 2017 and future periods.

A2. Business model and strategy (continued)

A2.2 Principal risks and uncertainties

It is the responsibility of the Board to assess, monitor and seek to mitigate the business risks facing Itaconix. As such, these risks are kept under ongoing review, with mitigation actions assessed on a prioritised, cyclical basis. Most recently the principal risks have been assessed by the Board prior to the publication of this Annual Report, as summarised below:

BUSINESS RISK	MITIGATING MANAGEMENT ACTIONS
COMMERCIAL – risk that management is unable to execute sufficient product supply deals and licences to deliver the Group's business plan and move the Company into profitability and cash generation.	A select portfolio of projects with significant market engagement is run in parallel to reduce the dependence of the business on success in a single product development programme and to mitigate the challenges inherent in striking commercial deals. Projects are managed and prioritised against Itaconix's objectives using a systematic review process benchmarking against appropriate technical and commercial criteria. In 2016, there was continued implementation of a board-led strategic review started in 2015 which identified prioritised business areas to pursue, and organisational enhancements also continued, including the acquisition of Itaconix Corporation and the divestment of the Nicotine Gum business segment. Specific work also continued to build and secure the business's supply chain in order to meet contractual supply commitments, manage external contract manufacturers and meet customer expectations.
INTELLECTUAL PROPERTY – risk that Group inventions are not effectively protected, increasing competitive activity limits commercial potential, or third party intellectual property is infringed by the Group.	A detailed set of intellectual property procedures is operated with dedicated in-house resource as well as the support of external expert patent and trade mark advisers, covering for example invention documentation, patent and trade mark filing strategies, the use of CDAs and MTAs, freedom to operate analyses and commercial agreement negotiation. In addition, the business aims to supplement its existing portfolio of inventions by investing in new products, extension technology, and applications know how, all of which are reviewed in line with the above procedures to assess the robustness of the associated intellectual property. For products already protected by our patents, we consider publishing anti-blocking disclosures, which also simplify the product sampling and evaluation process with customers.

BUSINESS RISK	MITIGATING MANAGEMENT ACTIONS
FINANCIAL – risk that there are insufficient financial resources to deliver the Group's business plan.	An appropriate system of internal financial controls is operated by a small team of experienced and qualified professional staff (under the oversight of the Audit Committee and external audit review) to manage the deployment of the cash resources on hand, which continue to provide a funded "runway" into 2018. Additional capital of £5.8m (before expenses) was raised in July 2016.
COMPLIANCE – risk that faulty or deteriorating products do not meet specification and harm or cause loss to customers or end consumers. As the Group develops the product supply component of its business model, this risk becomes more significant.	In-house regulatory, operations and quality assurance functions with dedicated and appropriately skilled resource have responsibility for all aspects of product safety and compliance, including management of contractors, supported as required by external expert advisers. In addition, appropriate insurances are maintained and regularly monitored for suitability. The divestment of the Nicotine Gum business segment also reduces the exposure of the Group to the risk of "over-the-counter" pharmaceutical liabilities.

Additional risk considerations

Management has specifically considered the impact on the business of "Brexit" (i.e. the UK leaving the European Union) and prevailing low interest rates, and does not currently deem these factors to represent significant business risks, taking into account the current state and strategy of the Group, although the impact of Brexit is considered further under the discussion of exchange rate risk below.

Management notes that exchange rate changes between the USD and GBP may result in foreign exchange movements between period ends, following the acquisition of Itaconix Corporation. In particular, the deferred consideration payable to the former shareholders of Itaconix Corporation is denominated in USD and, as well as being revalued based on likelihood of payment, is retranslated to GBP each period end, potentially resulting in significant debits or credits to the Company and Group's profit and loss. In 2016 the weakening of GBP following the Brexit vote has resulted in adverse movements on foreign currency liability balances including this deferred consideration. Management notes that (i) such foreign exchange movements are non cash items and (ii) it purchased USD to fund the USD3m upfront consideration for Itaconix Corporation before the Brexit vote.

A3. Chief Executive's review

A3.1 Business review

Overview

2016 was a year of change and progress for Itaconix plc. The most significant events during the year relate to the strategic repositioning of the business. This started on 20 June 2016 with the announcement that the Company had unconditionally agreed to acquire Itaconix Corporation, a privately owned business based in New Hampshire, USA, for initial consideration of $7m (at the time approximately £4.9m) comprising $3m in cash and $4m in new ordinary shares, plus further deferred performance related consideration of up to $6m payable in new ordinary shares, subject to the satisfaction of certain performance criteria.

A further announcement was made on 21 June 2016, following the conclusion of an accelerated bookbuild process, that the Company had raised approximately £4m (before expenses) through the placing of 10,810,811 new ordinary shares at 37 pence per share. In addition, Woodford Investment Management agreed to invest an additional amount of approximately £1.8m through the issue of a further 4,869,411 new ordinary shares at the same placing price by way of an "accelerated whitewash" which was concluded on 8 July 2016. Through this exercise, the Company raised £5.8m (before expenses) to fund the new business.

On 16 September 2016, the Company announced that it had entered into agreements committing it to divest its nicotine gum business to the Danish company Alkalon, with completion subject only to the satisfaction of certain customary conditions precedent including the transfer of key customer contracts and the Canadian product licence to Alkalon. Completion occurred on 31 October 2016. Alkalon has EU regulatory approval for its products and an established European customer base, which complemented the Company's Canadian customer base. This transaction offers the potential to grow the resulting business in its existing territories as well as to expand into additional territories, benefiting from economies of scale in manufacturing and marketing. At completion, the consideration to Itaconix for the divestment of this business was a 15% equity holding in the combined new business, which may increase to 20% if additional specific contracts in Canada are secured within nine months of completion. The Company currently expects to hold the investment in Alkalon for the medium to long term and has the right to appoint a director to the board of the combined business. Accordingly Rob Cridland, Revolymer's CFO, has joined the Board of Alkalon.

Integration of the Company and Itaconix Corporation has progressed well, with significant technical and commercial opportunities identified to leverage the two organizations. The integration phase culminated in Revolymer plc being rebranded as Itaconix plc on 1 March 2017 to emphasise the change in focus and the acceleration of its development as a specialty chemicals business.

The strategic repositioning summarized above has brought a clearer vision to the expanded business. Itaconix plc aims to be a leader in functional polymers that improve the safety, performance and sustainability of our customer's products.

We believe that the low level of R&D spending within the chemical industry is creating the opportunity for expert innovators. The flexibility to design and produce materials with a wide range of functional performance and relatively low regulatory barriers make polymers an attractive space in which to be an innovator. Itaconix designs and manufactures proprietary specialty polymers to meet customers' needs. We are the world leader in polymers from itaconic acid, combining the versatile chemistry of itaconic acid with breakthrough production economics that make adoption of our products attractive to our customers. We are establishing a pipeline of products that compete on unique functionality and cost advantages in the home care and industrial markets and personal care. Itaconix also uses its specialty polymers and know how to encapsulate sensitive ingredients that are used in everyday products, examples including bleach actives and fragrances.

The main markets that Itaconix is focused on and that offer major commercial opportunities are:

- Homecare (cleaning and hygiene)
- Personal Care
- Industrial

These markets have common themes that act as drivers of change and product reformulation, as outlined below:

Regulations:

Tightening regulations continue to drive the phasing out of older product technologies, which are unsafe for humans and/or the environment, and offer opportunities for replacement products. Particular areas of focus for Itaconix are the replacement of phosphates in laundry and automatic dish wash ("ADW"), and the development of formaldehyde free encapsulation for a number of sensitive ingredients including fragrances.

Performance:

Consumers continue to demand more effective products or cheaper products with the same performance. Itaconix has product technologies that can either improve performance (such as an improved performance hair styling additive) or make more efficient use of ingredients (such as the encapsulation of bleach for the laundry or ADW market).

Sustainability:

Increasing concerns regarding the environment are reflected in a strong consumer trend towards bio-based products, particularly in markets such as personal care, or products that save energy or materials. Itaconix has identified these drivers and has launched a bio-based hair styling polymer for personal care, a bio-based malodour product for homecare and has licensed technology to Solvay enabling low-temperature bleach performance in laundry and ADW.

In addition to the strategic redesign of the business described above, significant effort was also invested in 2016 towards activities that should underpin future growth, setting up supply chains for new products, launching new products, and securing new product revenue starts. In anticipation of the growing commercial engagement described below, Itaconix undertook a $1m investment to upgrade its polyitaconate manufacturing facility, quadrupling previous capacity. After successful commissioning, the facility came on line in March 2017.

Finally, there have been some board changes during the year that also reflect the focus of the business going forward. Dr Jim Barber, a US citizen, was appointed as a non executive director with effect from 12 September 2016, representing the interests of the previous shareholders of Itaconix Corporation as their board nominee. Jim serves on the Advancement Council of the College of Polymer Science and Polymer Engineering at the University of Akron, and as a non-executive director of Graham Corporation and Nanocomp Technologies. He had previously served as an advisor and a director for a number of firms including being President and CEO of Metabolix, Inc. from January 2000 to May 2007. During this period, he led the transformation of Metabolix from a research boutique to a world renowned, highly regarded leader in "clean tech" and industrial biotechnology, listed on NASDAQ. Prior to joining Metabolix Inc., Jim served as Global Business Director for the Organometallics and Catalysts business of Albemarle Corporation and as Representative Director of Nippon Aluminum Alkyls, a joint venture Company between Albemarle Corporation and Mitsui Chemicals, Inc.

Mr Jack Keenan and Mr Robert Frost both retired from the board with effect from 31 December 2016. Mr Keenan had been a non executive director of the business since January 2008, and was Chairman from the flotation on the AIM Market in July 2012 to September 2015. Mr Frost joined the board at its flotation on the AIM Market in July 2012 as the nominated director of Naxos Capital Partners, an investor in the business since May 2010.

Commercial Review

Our polymers are used in a number of consumer and industrial products to reduce cost, improve performance, and reduce impact on the environment. We make polymers for better living in three broad market sectors, Personal Care, Homecare and Industrial.

Personal Care:

Itaconix has developed a bio-based polymer, RevCare™ NE 100S, that is an effective hair styling polymer, providing good hair hold even in highly humid conditions. It is also effective as an anti-frizz agent and leaves the hair feeling natural. Although no sales were made in the period, the product was launched at the Global In Cosmetics show held in Paris in

April 2016 with a positive reception. Since April 2016 we have been actively developing the market, sampling customers and establishing distributor relationships. We announced the appointment of Dr Louise Crascall as Chief Commercial Officer in June 2016 to lead the Personal Care business segment. Louise has a strong background in haircare, having previously been with Vivimed (a hair dye company) and she has helped accelerate commercial engagement with customers in this market. We are in the process of appointing distributors in key European and Asian territories and have direct relationships with a number of the Tier 1 and Tier 2 personal care houses. The current hair styling polymer market is estimated at $400m pa and is mainly based on polymers derived from petrochemicals.

The chart below compares the performance of RevCare™ NE 100S with the main products in the market. We believe that our product represents a competitive offering purely from a performance perspective, but also offers the added advantage of being bio-based, and we are progressing a number of commercial opportunities currently.

Properties	Rev Care NE 100S	Product A	Product B	Product C	Product D
Single curl retention	√	X	√	√	X
Comb low resistance	√√	√√	√	X	X
Curl softness	√√	√	√√	X	√
Single curl flexibility	√	√	√√	X	√
Anti-frizz	√√	X	√	√√	X
Curl bounce	√√	X	X	√√	√
Natural feeling	√	√	X	X	X
Water soluble	√	√	√	√	X
Cost in use	√	√√	√	X	X

Source: Company data

Homecare and Industrial:

Itaconix has both specialty polymers and encapsulation technology that are beginning to gain traction in the homecare and industrial markets, and we will discuss these two sectors together as some of our products serve both.

On 27 January 2017, Itaconix announced that it had signed a joint development agreement with AkzoNobel Chemicals International B.V. to advance commercial collaborations in certain applications for the itaconic acid polymer technology platform. The agreement establishes a broad operating framework for the parties to jointly identify, develop and commercialise new polymers using Itaconix's patented technology focused on improving the cost and performance of our customers' formulations with increasingly more sustainable products, which fits well into AkzoNobel's sustainability agenda. Although the specific areas of collaboration have yet to be announced, we are excited by the potential to work together to identify and develop attractive commercial opportunities.

Specialty Polymers:

1) Itaconix® DSP™ & Itaconix® CHT™

The acquired business of Itaconix has developed polymers that are effective chelants. Chelating agents are used to improve the detergency power of cleaners and detergents and are estimated to have a market worth around $1bn pa in the home care and cleaning market. Traditionally the main product used in laundry and ADW formulations has been sodium tripolyphosphate. Phosphates have been under increasing pressure due to the fact that they cause eutrophication of water courses. As a result, they have been banned in both the USA and EU in laundry, and phosphates are no longer allowed to be used in European ADW formulations from January 2017. As a result of the ban on phosphates, second generation chelants have been developed and have been formulated into a wide range of consumer products. The current second generation products still have some performance limitations and Itaconix has developed cost competitive alternatives that offer performance advantages. Itaconix® DSP™ is a product that is already used in a number of powder laundry products and represents the majority of the revenue generated by the business in 2016 since acquisition (£0.3m).

Itaconix® CHT™ is a product used in ADW formulations which was launched in 2016 and saw its first commercial sale in September 2016. We are currently working to generate additional sales.

2) Itaconix® ZINADOR™

Itaconix® ZINADOR™ 22L is a major advance in odour neutralisation. Zinc complexes are widely used to neutralise odours and ZINADOR performs equal to or better than the current leading zinc-based technology at neutralising food odours, cat urine, and body odour. It is also a 100% naturally derived product that delivers major new formulating, use, and cost advantages due to its ready water solubility and lack of residual deposits after use.

On 23 January 2017, Itaconix announced that it had signed an exclusive global supply and joint marketing agreement with Croda Inc. in respect of its polymer-based odour removal additive Itaconix® ZINADOR™ 22L. Under the terms of the agreement, the parties will work together to grow and supply worldwide demand for ZINADOR. Itaconix will produce ZINADOR for Croda and Croda will market and sell ZINADOR in household, municipal, animal and industrial applications, subject to certain terms and conditions. Itaconix will continue providing its technical and marketing expertise to jointly expand applications and geographic opportunities for ZINADOR with Croda. This deal results from a successful initial joint customer development program and was followed rapidly by the first major order from Croda in March 2016.

Encapsulation:

Itaconix has previously announced three encapsulation licenses in the homecare ingredients market in which encapsulation is estimated as representing a $500m pa market:

- 25 September 2014: Grant of a global exclusive licence to Solvay for the encapsulation of a specialty peroxide called PAP for use in laundry detergents and ADW agents, for the consumer, domestic, industrial and institutional markets;

- 3 June 2015: Solvay secures exclusive rights to apply Itaconix's encapsulation technology to the bleaching active ingredient sodium percarbonate ("SPC") and commercialised currently by Solvay under the trademark Oxyper®, in the field of liquid formulations of laundry and ADW;

- 1 September 2015: OCI secures rights to apply Itaconix's encapsulation technology to its SPC based bleaching active ingredients, in the field of powder and other solid formulations of laundry, ADW and other cleaning agents.

Following execution of a licence, Itaconix works with its licensees to transfer the technology and scale-up the industrial utilisation of the technology. A key commercial challenge for the Group is the time it takes in the specialty chemicals industry to successfully develop and market new products from these licences and generate meaningful revenue.

Pipeline & technology development

The strategic repositioning of the business in 2016 has resulted in a fundamental shift from a business dominated by licenses and poor quality nicotine gum revenue to a specialty product based business. Itaconix now has nine launched products and five significant deals of which three are licenses (two with Solvay and one with OCI), one is a supply and joint marketing agreement (Croda) and one a joint development framework agreement (AkzoNobel).

There remains a healthy new product development pipeline, but the main focus of the business is on securing customers for the products already launched. Itaconix has continued to build its application expertise in Homecare (laundry and ADW)) and Personal Care (specifically haircare). This provides the business with the necessary insights into how its customers are likely to use the new products and to generate data that will support the selling process.

Itaconix continues to invest in patents to protect its innovative new products and technologies. As at 1 February 2017 the business had 28 patent families and 42 granted patents.

A3.2 Financial review

Following the divestment of the Nicotine Gum segment in October 2016, the financial statements have been divided into continuing operations (comprising the Specialty Chemicals business segment, including Itaconix Corporation acquired in June 2016), and discontinued operations (comprising the Nicotine Gum business segment divested in October 2016) which are reported in single lines in the income and cash flow statements, and further explained in Note 10.

Continuing operations

Cash flow

Operating cash flow

Excluding the discontinued operations of Nicotine Gum, net cash outflow from continuing operating activities was £3,478k (2015: £1,591k). Before R&D tax credit receipts of £481k (2015: £1,343k), cash outflow from continuing operating activities was £3,959k (2015: £2,934k). The components of the increase of £1,025k were (i) £613k in respect of the US business since acquisition on 20 June 2016; (ii) £222k in respect of increased UK operating costs; and (iii) £190k of acquisition related transaction costs.

Investing cash flow

Excluding existing funds withdrawn from term deposits, investing activity cash outflow was £2,470k (2015: £89k), the difference of £2,381k reflecting primarily (i) the $3m upfront cash payment component of the purchase price of Itaconix Corporation in June 2016; and (ii) purchase of property, plant and equipment as part of an investment project to expand the manufacturing facility in the US.

Financing cash flow

Net cash inflow from financing activities was £5,473k (2014: £18k), the difference of £5,455k reflecting the net proceeds of the refinancing completed in July 2016 with existing and new institutional investors less the transaction costs of the share issuance to Itaconix Corporation shareholders.

As a result, the balances on hand at the year end were cash, cash equivalents and short term deposits of £8,789k (2015: £10,514k).

Operations

Revenue and gross profit

Revenue for the period from continuing operations was £285k (2015: £27k), being sales of the products of Itaconix Corporation since acquisition, primarily Itaconix® DSP™, resulting in a gross profit of £55k (2015: £27k).

Administrative expenses

The administrative expenses (including research and development) of continuing operations were £5,275k (2015: £2,663k), and the key drivers of the £2,612k increase were: (i) an increase of £1,014k in non cash charges to £1,018k (2015: £4k), the majority of which relate to the acquisition of Itaconix Corporation; and (ii) an increase of £1,598k in expenses that have a cash impact to £4,257k (2015: £2,659k), both as analysed in the table below. In respect of the increase in expenses that have a cash impact, at least £300k are not expected to be recurring costs (the largest item being £190k of transaction costs associated with the acquisition of Itaconix Corporation). The significant components of the increase in administrative expenses before non cash items and non recurring items of £1,296k were: (i) administrative expenses (including research and development) of the US business (formerly Itaconix Corporation) of £560k; (ii) additional staff costs in the UK (including research and development) of £307k; (iii) an increase in other product development costs related to the expanded portfolio of £116k; and (iv) additional advisory costs (including financial and audit) associated with the expanded Group of £139k.

	2016 £'000	2015 £'000
Non cash expenses:		
Equity settled share based payment (credit)/expense	136	(290)
Employer's national insurance charge/(credit) associated with vested share options	(108)	69
Depreciation of owned assets	202	160
Amortisation of intangible assets	132	–
Impairment of intangible assets	29	–
Foreign exchange differences	627	65
	1,018	4
Expenses with a cash impact:	4,257	2,659
	5,275	2,663

Finance income

Interest receivable on bank deposits and investments was £51k (2015: £88k), the reduction reflecting the reduced balance of cash, cash equivalents and short term deposits compared to the prior period.

Loss before taxation

The loss before tax from continuing operations was £5,639k (2015: £2,522k), reflecting the net effect of the movements described above, as well as the inclusion of the non cash share of loss of associate in relation to the divested Nicotine Gum business segment of £508k (2015: nil).

Taxation

During the year R&D tax credits were claimed of £531k (2015: £1,793k). These credits include amounts from 2015 of £31k (2015: £1,343k – including amounts relating to the three years 2012 to 2014 as well as 2015).

Loss for the year

The loss for the year from continuing operations was £5,108k (2015: £729k), and the basic and diluted loss per share from continuing operations was 7.3p (2015: 1.3p).

Discontinued operations

The loss after tax from discontinued operations was £608k (2015: £1,063k), reflecting the loss for the 10 months to the end of October 2016 before the Nicotine Gum business segment was divested. The net cash out flow from discontinued operations was £1,250k (2015: £1,010k).

Balance sheet items – intangible assets

The Group now has £10,124k of intangible assets arising on the acquisition of Itaconix Corporation (2015: nil) which were reviewed for impairment or amortised as appropriate at the year end. The main constituents are intellectual property (£3,471k, 2015: nil) and goodwill (£6,653k, 2015: nil).

Balance sheet items – non-current liabilities

The Group now has £4,872k of non-current liabilities arising on the acquisition of Itaconix Corporation (2015: nil), comprised of provisions of £3,414k (2015: nil) and a deferred tax liability of £1,458k (2015: nil). The provisions represent the fair value of the deferred consideration payable in ordinary shares to the former shareholders of Itaconix Corporation, which will be reviewed at each period end. The deferred tax liability relates to the intellectual property acquired with Itaconix Corporation.

A3. Chief Executive's review (continued)

Outlook

Management is pleased to have executed significant transactions during the year including acquiring the polyitaconic acid based product platform of Itaconix Corporation and divesting the Nicotine Gum business segment. Whilst the Group has exited the headline revenue stream from nicotine gum, this was a non-strategic loss making business, and we look forward to growing higher quality revenues from the core Specialty Chemicals business segment. Whilst the cost base has increased with the addition of our new US business, the Itaconix Group remains funded with £8.8m of short term deposits, cash and cash equivalents on hand at the year end (2015: £10.5m).

To date we have made progress with a number of new product launches and agreements signed, based on improving the performance of our customers' products. The key challenge for the business looking forward is that revenue and profit is dependent on the speed with which the Group's customers bring our new products to market. Accordingly our strategy is to maximise the number of viable customer relationships to reduce any dependence on individual customers, and work closely with them to expedite the commercialisation of these new products; and in this regard we have made a good start to 2017, and look forward to further commercial progress in the year ahead.

Dr Kevin Matthews
Chief Executive Officer

3 April 2017

A4. Going concern

The business activities of the Group, its current operations and those factors likely to affect its future results and development, together with a description of its financial position, are described in the Chairman's statement in section A1, the description of our business model and strategy in A2 and the Chief Executive's review in section A3.

The principal risks and uncertainties affecting the Group and a summary of the steps taken to mitigate these risks are described in section A2.2.

Critical accounting assumptions and key sources of estimation uncertainty and judgement affecting the results and financial position disclosed in this annual report are discussed in Notes 2 and 3 to the accounts.

The Group made a loss for the year of £5,716k, had Net Current Assets at the period end of £8,254k and a Net Cash Outflow from Operating Activities of £4,728k. 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 £8,789k (2015: £10,514k), following the acquisition of the US Itaconix business (see Note 14) and cash received from the issue of shares in the period of £5,802k before expenses.

Itaconix has been a loss making business in each year of its existence to date. Whilst it expects to deliver its business plan of becoming a profitable specialty chemicals company in the medium term, it currently relies on its shareholders to fund the business. Uncertainties that are specific to Itaconix's business model include that revenue and profit growth is dependent on its products being incorporated into its customers products, and the rate at which this occurs is inherently difficult to predict.

In order to assess the appropriateness of the going concern basis of preparation, trading and cash flow forecasts modeling a number of scenarios were prepared for the period through to the end of 2020. The forecasts reflect the status of the Group's current activities and varying levels of achievement against the board approved strategic plan for the business, which is informed by the intent of the Board to continue to successfully develop its operations and move to being cash generative by 2020.

These forecasts indicate that the Group has sufficient financial resources to continue to fund the business, based on the current scope of operations, through to at least mid 2018 and meet its liabilities as they fall due. The Board recognises that it is probable that there will be a need for further fundraising before the end of 2018 to enable the Group to continue as a going concern, but anticipates that this will be completed based on the Group delivering commercial progress (namely product launches and revenue growth) in the intervening period, and taking into account recent successful fundraisings. The Board will also consider reducing the Group's cost base as necessary, depending on commercial performance.

On this basis, the Directors consider that, at this time, there are no material uncertainties that might cast doubt upon the appropriateness of the continuing application of the going concern basis of preparation.

A5. Corporate social responsibility

A5.1 Employees

Itaconix continues to place considerable value on the involvement of its employees. It is committed to developing policies that encourage all employees to achieve their potential and to contribute to the success of the Company. Itaconix operates HMRC approved and, for non-UK employees, unapproved share option schemes to ensure that eligible employees are able to share in the future success of the Company and have a sense of ownership. Itaconix's human resources strategy is focused on providing a positive organisational culture and is guided by the Company's core objectives.

Equality and diversity

The Group's aim is that its employees should be able to work in an environment free from discrimination, harassment and bullying, and that employees, job applicants, customers, suppliers and other business contacts should be treated fairly regardless of:

- race, colour, nationality (including citizenship), and ethnic or national origins;
- gender, sexual orientation, marital or family status;
- religious or political beliefs or affiliations;
- disability, impairment, other medical condition or age;
- membership of a trade union.

Organisational planning

Itaconix regularly reviews its organisational structure and reporting relationships in order to maximise their effectiveness. Itaconix continues to employ a balance of junior and more experienced, senior staff, recruited predominantly from the polymer, other chemicals or technology industries, to support its product programmes.

Recruitment and retention

Itaconix has a defined policy for the recruitment of any new or replacement staff, the employment of which must be agreed and signed off by the CFO and CEO.

Itaconix is committed to achieving equal opportunities in employment and to ensuring that performance is assessed on an individual's capabilities and demonstrated results. Full and fair consideration is given to applications for employment made by all persons, having regard to their particular aptitude and abilities. The Company seeks where practicable to identify a diverse pool of applicants.

Itaconix currently reports data on the distribution of its workforce by gender. As at 31 December 2016 this split was 35% female and 65% male (2015: 31% female and 69% male).

Training and development

Itaconix considers continuous learning to be one of its core values and training is a key constituent of the employee appraisal system. Through the ongoing development and training of our employees we look to ensure that our workforce is ready to address the challenges ahead. We assess talent regularly across the business in order to understand better our organisational strengths and knowledge gaps.

Itaconix looks to ensure that managers have the skills to foster a culture of creativity, openness and rigour, focused around good practice and quality standards.

Reward and recognition

Through a variety of reward and recognition mechanisms, Itaconix has developed a performance-driven culture that seeks to attract, retain and motivate its employees. We use a combination of approaches to reward good performance, which include consolidated salary awards, an annual bonus and equity based incentives, as well as simple individual acknowledgement and recognition.

Employee performance is assessed at least once a year and is measured against individual, team and corporate objectives.

Communication

The Company recognises the value of communication in motivating employees and managing the business. Itaconix looks to encourage the exchange of views and information between employees and the Company. Email is used extensively both to communicate Company matters to employees and to elicit questions, feedback and requests. We aim to maintain a policy of accessibility of senior management to all employees.

We also engage our employees through periodic updates and timely communication of Company news, regular employee meetings and educational sessions on various aspects of our science, technology and business.

Health and safety

The health and safety of employees and those who work with us remains a top priority for Itaconix. A key objective for the health and safety function is the continuation and development of health and safety procedures and systems. The current UK Safety Committee is chaired by the CEO and oversees regular safety inspections involving all staff on a rotational basis, and ensures that permanent Safety Officers and Laboratory Health and Safety Officers are in post. A comparable US Safety Committee is also currently being established. The Company has maintained an excellent safety record that can be attributed to its proactive approach to accident prevention, encouraging staff to report safety issues openly and to implement measures beyond legal minimum requirements. Itaconix's Safety Officers have direct access to the CEO, who is the Board member charged with leading on health and safety matters. The Safety Committees produce an annual Itaconix Health and Safety Review Report for presentation by the CEO to the Board for approval. In addition, the CEO reports on health and safety matters to the Board periodically as required.

A5.2 Environment

Itaconix continues to explore ways to minimise its impact on the environment. A large amount of our energy usage is attributed to the management of the air-handling, heating and lighting of our laboratories and offices. Through the careful monitoring of energy consumption we have been able to highlight areas of improvement so that valuable resources can be conserved. LED tubes are being progressively installed to conserve energy. Infrastructure changes have also allowed us to explore ways of segregating various waste streams providing more opportunities for recycling.

Paper, toner cartridges, IT equipment and laboratory equipment are recycled. We have chosen a local waste carrier who line picks other commercial waste, thereby achieving recycling rates in excess of 80%. Telephone and video conferencing facilities have been introduced to reduce travel to external meetings. In order to relieve pressure on corporate parking, traffic congestion and to encourage a healthier workforce, Itaconix takes advantage of the Green Transport Plan introduced by the government which aims to make cycling more attractive and accessible by introducing a "Ride to Work" scheme which all employees are eligible to participate in. The CEO is responsible to the Board for environmental matters.

Political and charitable donations

Itaconix's policy is that it does not donate money, services or facilities to political parties. However, Itaconix may campaign for, or against, proposed changes in legislation or regulations that might affect its business or the environment within which it operates. Officers or employees, with Board approval, may participate in government advisory committees, regulatory advisory committees or non-government organisations that are relevant to the business. No political donations were made during the current or prior financial years.

The Company encourages employee involvement in charitable causes either as individuals or in groups. However, no charitable donations were made directly by Itaconix during the current or prior financial years.

A6. Approval of strategic report

Section A of this Annual Report comprises the Strategic Report for the Group which has been drawn up and presented in accordance with, and in reliance upon, applicable English company law, in particular Chapter 4A of the Companies Act 2006, and the liabilities of the Directors in connection with this Annual Report shall be subject to the limitations and restrictions provided by such law.

It should be noted that the Strategic Report has been prepared for the Group as a whole, and therefore gives greater emphasis to those matters which are significant to the Company and its subsidiary undertakings when viewed as a whole.

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

Robin Cridland
Chief Financial Officer and Company Secretary

3 April 2017

B. Corporate governance

B1. Board of Directors and biographies

Bryan Crawford Dobson (aged 64) – Independent Non-Executive Chairman

Bryan joined the Board on 13 September 2012, and became Chairman on 18 September 2015. He has more than 30 years' experience in the chemicals industry; 28 years with ICI and 5 years with the Croda group, and 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 speciality 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 speciality 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.

Kevin Roger Kenneth Matthews (aged 53) – Chief Executive Officer

Kevin joined the Board on 29 September 2014, when he assumed the role of Chief Executive Officer. He has over 20 years of experience in senior management roles in the chemical, technology and pharmaceutical sectors and brings significant marketing, strategy and business management expertise, along with a broad technical understanding, to Itaconix's management team. Kevin joined the Board from Isogenica Ltd, a business providing drug discovery services to the pharmaceutical industry, where he served as CEO since 2009. Prior to that, he led the chemical technology company Oxonica as its CEO for eight years, during which time he completed its AIM listing in 2005 and secured numerous significant partnership deals and M&A transactions. He is currently serving as a non-executive director of the performance materials business Low and Bonar PLC and, between 2005 and 2014, was a non-executive director of the FTSE 250 specialty chemicals company, Elementis plc, where he helped to oversee a significant and successful strategic repositioning of the business. He was also a non-executive director of Cellectricon AB, a Swedish private biotechnology business, from 2011 to 2014. Kevin began his career holding a number of increasingly senior roles at ICI, Albright & Wilson and Rhodia. He is a graduate of the University of Oxford, where he was also awarded a DPhil in Organic Chemistry.

Robin ("Rob") James Scott Cridland (aged 49) – Chief Financial Officer and Company Secretary

Rob joined the Board at its incorporation on 10 April 2012 as Chief Financial Officer and Company Secretary. He joined the business that is now Itaconix (U.K.) Limited in September 2008 from Renovo Group plc, where he spent seven years as Executive Director of Finance and Business Development. He was part of the Renovo management team that successfully took the company from a start-up organisation through to IPO on the Official List in London, and executed a significant licence of its lead drug to, and equity investment by, the Shire pharmaceuticals group. He began his career at Coopers & Lybrand Deloitte, before moving on to senior transactional roles at Enskilda Securities and senior finance and transactional roles at GlaxoWellcome and GlaxoSmithKline. He is currently serving as a non-executive director of the natural encapsulation business Eden Research plc. Rob has a First Class MA from the University of Oxford and is a Fellow of the Institute of Chartered Accountants in England and Wales.

Julian Spenser Heslop (aged 63) – Independent Non-Executive Director

Julian joined the Board upon Admission on 10 July 2012. He is also currently a non- executive director of Dechra Pharmaceuticals Plc and previously served as Chief Financial Officer of GlaxoSmithKline plc ("GSK") between April 2005 and March 2011. He served as Senior Vice President, Operations Controller of GSK between January 2001 and March 2005 and as Financial Controller of Glaxo Wellcome plc from April 1998 to December 2000. Prior to this, Julian had senior finance roles at Grand Metropolitan plc and Imperial Brewing and Leisure. He is a Fellow of the Institute of Chartered Accountants in England and Wales.

Michael ("Mike") Charles Nettleton Townend (aged 54) – Non-Executive Director

Mike joined the Board on 2 July 2012 and is the representative of IP2IPO Services Limited, which had been the corporate director of the business that is now Itaconix (U.K.) Limited since February 2006. He has over 20 years' experience in all aspects of equity capital markets and investment processes. He is currently Chief Investment Officer of IP Group plc, having previously served as Head of Capital Markets for four years. Mike joined IP Group plc from Lehman Brothers where he was Managing Director of European Equities and Head of Equity Sales to Hedge Funds. He was also a key member of the senior relationship management programme. Prior to this, he was an executive director at Donaldson, Lufkin and Jenrette with responsibility for building the Bank's business with hedge funds and alternatives. Mike has sourced, co-led or led numerous private and public transactions. He is the IP Group plc representative on the Boards of Modern Water plc and Applied Graphene Materials plc and also a non-executive director of Green Urban Transport Ltd.

James ("Jim") Joseph Barber (aged 63) – Non-Executive Director

Jim joined the Board on 12 September 2016 as the nominee of the previous shareholders of Itaconix Corporation, a right conveyed under the merger agreement between the companies. 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 Inc., 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 and Nanocomp Technologies, Inc. He has a BS degree in Chemistry from Rensselaer Polytechnic Institute and a PhD in Organic Chemistry from the Massachusetts Institute of Technology.

B2. Corporate governance

The Directors recognise the importance of, and are committed to, high standards of corporate governance. Although compliance with the UK Corporate Governance Code is not compulsory for AIM companies, the Directors aim to apply those principles of the Code as they consider appropriate to a group of Itaconix's size, taking into account the recommendations contained in the QCA Guidelines.

The Board is specifically responsible for the business risk assessment and mitigation policy and oversees an overarching review of such risks and mitigating steps by management.

B2.1 Leadership

The Board of Directors is responsible for overall Group strategy, for approving major third party agreements, transactions and financing matters, and for monitoring the progress of the Group against the medium term strategic plan and annual budget. All Directors receive sufficient relevant information on financial, business and corporate issues prior to Board meetings and there is a schedule of matters reserved for decisions of the Board.

For the year ended 31 December 2016, the Board comprised two executives and five non- executives, and reflected a balance of different experience and backgrounds. The roles of Chairman (which is a non-executive position) and Chief Executive Officer have been split by the Board and there is a clear division of responsibility between the two. The Board considers Jack Keenan, Julian Heslop and Bryan Dobson to be independent in character and judgement.

The names of the Directors in office at the date of this Annual Report and their biographical details are set out in section B1.

On 12 September 2016 Jim Barber was appointed to the Board as the nominee of the previous shareholders of Itaconix Corporation. Jim has significant and highly relevant chemicals industry experience, is able to bring a US perspective to the business and is warmly welcomed to the Board.

Effective from 31 December 2016, Jack Keenan and Robert Frost retired from the Board. Jack had been a non executive director of the business since January 2008, and was Chairman from the flotation on the AIM Market in July 2012 to September 2015. He has played a significant role throughout this period, applying his considerable experience to guiding the commercial development of the business as well providing advice on corporate governance. Robert joined the Board at its flotation on the AIM Market in July 2012 as the nominated director of Naxos Capital Partners, an investor in the business since May 2010. As well as representing the interests of Naxos Capital Partners, he has made a considerable contribution to the development of the business born out of his commercial experience in the chemicals industry and his investing expertise. The Board thanks both Jack and Robert for their valuable advice and guidance over a number of years, and wish them the very best for the future.

In respect of the above retirements, there were no payments made for loss of office.

B2.2 Audit Committee

The Company's Audit Committee comprised during the year Bryan Dobson, Robert Frost and Julian Heslop. Julian Heslop is the Chairman of the Committee. The Audit Committee is normally required to meet at least twice a year and is responsible for reviewing: the integrity of the financial statements of the Group; the adequacy and effectiveness of the Group's internal financial controls and risk management processes (including the extent to which internal audit review is required); the adequacy and security of the Company's arrangements for its employees and contractors to raise concerns about possible wrong doing; and the Company's procedures for detecting fraud. It also reviews the external auditor's performance and independence and makes recommendations to the Board on the appointment of the auditor.

During the year the Audit Committee met three times. In March it reviewed and approved for recommendation to the Board the 2015 annual report and preliminary announcement; the performance of the auditor (confirming that it believed Ernst & Young LLP was both effective and independent); the processes for risk mitigation; the proposed going concern basis of preparation of the accounts; and the reappointment of the auditor. All its recommendations were endorsed by the Board. In September the Committee reviewed and recommended to the Board the interims announcement, including confirming its view that the auditor remained independent and effective. The Board approved such recommendation. In

December it reviewed and recommended to the Board the 2016 year end audit plan, noting additional complexity as a result of the acquisition of Itaconix Corporation and the divestment of the nicotine gum business. The Board approved such recommendation.

Following his retirement from the Board at the year end, Robert Frost was not replaced on the Audit Committee.

B2.3 Remuneration Committee

The Company's Remuneration Committee during the year comprised Jack Keenan, Bryan Dobson and Julian Heslop. Jack Keenan was the Chairman of the Committee. The Committee is normally required to meet 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. 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.

During the year the Remuneration Committee met three times, during which meetings it reviewed and recommended to the Board the salary review, bonus and equity incentive schemes for 2016; the remuneration package for the new Chief Commercial Officer; and the remuneration packages for the management team of the US business after the acquisition of Itaconix Corporation. The Board approved all such recommendations.

Upon the retirement of Jack Keenan, after the year end Bryan Dobson became chairman of, and Jim Barber joined, the Remuneration Committee.

B2.4 Nominations Committee

The Company's Nominations Committee comprises Bryan Dobson and Julian Heslop. Bryan Dobson is the Chairman of the Committee. The Committee is 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. The Committee is also responsible for reviewing the results of the Board performance evaluation process, 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 re-election of Directors at the annual general meeting.

During the year the Nomination Committee met twice. During these meetings it reviewed and approved for recommendation to the Board the appointment of Jim Barber as the nominee director of the Itaconix Corporation shareholders, and the proposed resignations of Jack Keenan and Robert Frost. The Board endorsed such recommendations.

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 from the company website (in the Investor Relations section and under Corporate Governance).

B2.5 Other governance measures

Directors and employees securities dealings

The Board has complied with and will continue to comply with the recently introduced Market Abuse Regulation ("MAR") relating to Directors' dealings and also takes all reasonable steps to ensure compliance with MAR by the Group's applicable employees. During the year the Company adopted a new code, policy and manual on dealing in securities of the Company and takes all reasonable steps to ensure compliance by the Directors and relevant employees.

B2. Corporate governance (continued)

Secretariat

The Board periodically reviews the effectiveness of the historic combination of Chief Financial Officer and Company Secretary into one appointment. In view of the current size of both the Board and the Company, the Board currently believes that it is well served by the advice received in company secretarial matters by relying on advice from:

- Rob Cridland (CFO) who has acted as a Company Secretary to public limited companies during the past eleven years;
- the Company's solicitors (Fieldfisher LLP and BPE Solicitors LLP);
- the Company's auditor (Ernst & Young LLP);
- the Company's nominated adviser and broker (Panmure Gordon (UK) Limited until 31 December 2016, and Nplus1 Singer Advisory LLP ("N+1 Singer") thereafter);
- the Company's registrars (Capita Asset Services);
- the Audit Committee.

Accountability

Reviews of the performance of the Group's main business lines are included within the Strategic Report. The Board intends that this presents a fair, balanced and understandable assessment of the Group's position and prospects.

The Directors' responsibilities for the financial statements are described in section B5.

An ongoing process for identifying, evaluating and managing the significant risks faced by the Group, which is regularly reviewed by the Board, was in place for the year ended 31 December 2016 and to the date of these financial statements (as described in section A2.2 and B2.2).

The Directors are responsible for the systems of internal control throughout the Group, including over financial reporting, and for reviewing its effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide reasonable, but not absolute, assurance against the risk of material misstatement or loss and that assets are safeguarded against unauthorised use or disposition. In assessing what constitutes reasonable assurance, the Directors have regard to the relationship between the costs and benefits from particular aspects of the control systems.

Internal control over financial reporting within the Group is provided by a process designed, under the supervision of the CFO, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes, including the process of preparing the Group's consolidated financial statements. Such statements are prepared by the UK and US Financial Controllers, assisted by third party consultants as appropriate, and reviewed both by the Chief Financial Officer and the Chairman of the Audit Committee. All four of these individuals are Chartered Accountants (or US equivalent) with significant financial experience.

In addition, the system of internal controls includes policies and procedures intended to ensure that records are maintained that fairly, and in reasonable detail, reflect transactions and disposition of assets to provide reasonable assurance that transactions are recorded as necessary to permit the preparation of the financial statements.

Internal control systems, no matter how well designed, have inherent limitations (particularly given the total number of staff employed by the Group) and may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that internal control may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may reduce.

Conflicts of interest

During the year no Director notified the Board of any conflicts of interest.

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 at the AGM and there is an opportunity for shareholders to put questions to the Directors. Itaconix aims to maintain regular contact with institutional shareholders through a programme of one to one visits, group meetings and briefings scheduled around the announcement of significant commercial developments in the business and the preliminary and interim financial results.

Financial risk factors

The Group's relatively simple structure, and the lack of debt financing, reduces the range of financial risks to which it is exposed. Monitoring of financial risk is part of the Board's ongoing risk management process, the effectiveness of which is reviewed annually. The Group's agreed policies are implemented by the CFO, who submits financial reports at each Board meeting. The Group has not, to date, used derivative transactions and it is the Group's policy not to undertake any trading in financial instruments.

Interest rate risk

The Group does not have any committed borrowing facilities as its cash balances are sufficient to finance its current operations. Consequently, there is no material exposure to interest rate risk.

Credit risks

The Group's treasury policy is to place funds in short term deposits with a panel of UK financial institutions rated at least F1/A1/P1 (or equivalent ratings) up to pre-agreed limits.

Cash flow and liquidity risk

The Group presently relies on its invested funds rather than trading receipts to meet its financial commitments. The maturity profile of its investments is structured to ensure that sufficient liquid funds are available to meet current operating requirements, in line with its treasury policy. The Directors do not consider that there is presently a material cash flow or liquidity risk.

B3. Directors' remuneration report

This report is on the activities of the Remuneration Committee for the year ended 31 December 2016 and sets out the remuneration policy and remuneration details for the Executive and Non-executive Directors of the Company.

This report is split into three main areas: the Statement by the Chairman of the Committee (B3.1), the Policy Report (B3.2, which was approved by the shareholders at the Annual General Meeting in May 2014 and remains in effect) and the Annual Report on Remuneration (B3.3, which provides details on remuneration in the period and other selected information and is subject to shareholder approval at the forthcoming Annual General Meeting).

B3.1 Statement by the Chairman of the Remuneration Committee

Dear Shareholder

The philosophy underpinning the Group's remuneration policy is to seek to produce an outcome which is fair and appropriate to the Company, its shareholders and its senior executives. Company performance is central to the policy, with the focus being on both short and long term qualitative and quantitative objectives.

For 2016, the Committee set a number of stretching targets in respect of the annual cash incentive for management and staff related to (i) the execution of commercial deals across the Group's business areas (including the divestment of the nicotine gum business), (ii) the establishment of a supply chain infrastructure to enable the manufacture of the Group's products, and (iii) the generation of contribution margin. These were partially met (as described in Section B3.3.2 below) and as a consequence performance bonuses have been paid to the CEO, CFO and other members of the management team and staff in respect of this year based on the achievement level met, pro-rated where appropriate (e.g. in respect of the management and staff joining the Group at the acquisition of Itaconix Corporation).

Management and staff will also be eligible for grants in respect of 2016 under the LTIP which, if made, will be awarded after the publication of this Annual Report. Further details in respect of the Executive Directors are disclosed in section B3.3.

The challenge for the Remuneration Committee remains, as ever, to ensure that the remuneration is appropriately structured to attract, retain and motivate Executive Directors, management and staff, whilst providing alignment with shareholders' interests and, most importantly, directly linking to the achievement of the Company's strategy.

I commend this report to shareholders.

Bryan Dobson
Chairman of the Remuneration Committee

3 April 2017

B3.2 Policy report

Introduction

This part of the report sets out the Directors' remuneration policy which was approved at the 2014 Annual General Meeting. The policy will apply until a new policy is proposed to shareholders, which we have previously indicated would occur at the AGM in 2017. However, the Committee believes that the current policy as laid out below remains applicable and should remain in effect, and so for the purpose of expedience has not tabled a new policy for shareholder review and approval at the 2017 AGM. It is currently expected that this policy shall not be changed for at least three years (i.e. until the 2020 AGM), unless regulatory, market or other comparable circumstances require otherwise. In setting the remuneration policy for Executive Directors, the Committee takes into account:

- the need to attract, retain and motivate high quality Executive Directors and management to deliver the Company's strategy;
- the maintenance of a clear link between rewards and Company performance;
- the objective of achieving an appropriate mix of fixed and variable pay;
- the views of our investors and shareholder bodies;
- the requirement, where appropriate, to comply with the UK Corporate Governance Code;
- the need to encourage management to adopt a level of risk which is in line with the risk appetite of the business as approved by the Board;
- the requirement that no-one is being rewarded more than once for the same achievement;
- the requirement for Executive directors to maintain a significant level of investment in the Company's shares from exercised vested options or other means;
- periodic peer group comparisons through external benchmarking.

Remuneration policy for the Chairman and Executive Directors

The Company's policy is to ensure that the Executive Directors and management are fairly rewarded for their individual performance having regard to the importance of retention and motivation. The performance measurement of the Executive Directors and management and the determination of their annual remuneration packages are undertaken by the Committee. The Committee also sets the salary for the Chairman (with the Chairman withdrawing from such discussion so he cannot influence his own fees), taking account of his performance and time commitment in the role.

The Committee has given due regard to the link between remuneration and strategy, seeking to ensure that the remuneration structures in place do not encourage excessive risk or activities that are not in line with the agreed strategy.

The Committee also pays due regard to the levels of remuneration within the Group when determining the remuneration of Executive Directors and other senior employees. It also seeks to ensure that the incentive structures for senior management do not raise environmental, social or governance risks by inadvertently motivating inappropriate behaviour.

Key aspects of the remuneration policy for Executive Directors and management

The Executive Directors and management receive a combination of fixed and performance-related elements of remuneration. Fixed remuneration consists of salary, benefits and pension contributions. Performance-related remuneration consists of participation in the annual cash incentive scheme and an annual award of share based payments under the LTIP. The performance-related elements of remuneration are intended to constitute a significant proportion of an individual's potential total remuneration. The tables below embody the policy applied:

Purpose and link to strategy	Operation	Maximum opportunity	Performance conditions
BASE SALARY			
To provide a competitive, fixed cash component that reflects the scope of individual responsibilities and recognises sustained individual performance in the role.	Remunerate fairly for individual performance, having regard to the importance of motivation. Take into account remuneration levels in the Group as a whole, individual and business performance and periodic external benchmarking.	Salaries for the year ended 31 December 2016 are set out in section B3.3. Increases, if the Committee is satisfied with the individual's performance, will normally broadly follow those awarded for the rest of the organisation. Changes in the scope or responsibilities of an Executive's role may require an adjustment to salary above the normal level of increase or arise from a periodic benchmarking review. In respect of new Executives, salaries will be broadly in line with external benchmarking and other relevant circumstances, but one time payments to account for compensation for previous entitlements surrendered may also be required.	None.
BENEFITS			
To provide market levels of benefits on a cost-effective basis.	Private health cover for the Executive and their family. Other benefits may be offered from time to time broadly in line with market practice.	These benefits are made available through third party providers and therefore the cost to the Company may vary from year to year. It is intended the maximum value of benefits offered will remain broadly in line with market practice.	None.

Purpose and link to strategy	Operation	Maximum opportunity	Performance conditions
PENSION			
To provide competitive post-retirement benefits.	Pension contributions amounting to 10% of base salary of the Executive are made into a money purchase pension scheme, or a cash equivalent may be paid.	For new external appointments a cash allowance or Company contribution into a money purchase pension scheme may be offered broadly in line with market practice.	None.
ANNUAL CASH INCENTIVE			
To incentivise Executives to achieve specific, predetermined goals that drive delivery of the Company's operational objectives over a one year period. To reward individual performance.	Each Executive's annual cash incentive (bonus) is based on a mix of stretching financial, strategic and risk-related performance measures that are intended to be aligned to shareholders' interests. Furthermore, any payment within this policy is ultimately at the discretion, reasonably applied, of the Remuneration Committee. The annual cash incentive is non-pensionable.	Bonus payments are determined by measurement against a board determined "Threshold" (below which no bonus is payable) and a board determined "Target". The maximum bonus potential is 200% of salary. However, for Target performance a maximum bonus of 100% of salary will be awarded, with additional amounts only being awarded for exceptional performance, and only at the discretion of the Remuneration Committee.	The performance metrics are set by the Committee at the start of the year with input from the Chairman and CEO. The bonus is calculated by pre-defining the performance metrics required to achieve the Threshold. Achievement of the remaining metrics will then be prorated between Threshold and Target. Details of the performance Target set for the year under review and performance against them are provided in section B3.3 unless disclosure is deemed to be commercially sensitive.

Purpose and link to strategy	Operation	Maximum opportunity	Performance conditions
LONG-TERM INCENTIVE PLAN (LTIP)			
To incentivise Executives to achieve enhanced returns for shareholders. To encourage long-term retention of key Executives. To align the interests of Executives and shareholders.	An annual award of shares subject to continued service and challenging performance conditions over a three year period. The performance conditions are reviewed on an annual basis to ensure they remain appropriate and are currently based on increasing shareholder value. Awards are structured as nil cost options with a seven year life after vesting.	The maximum award is 200% of salary in any one year taking into account the current market price of the ordinary shares on the date of the award. In view of the size of the Company the Committee may, however, offer an exceptional award on appointment of a new Executive Director, as is common with AIM quoted companies, in order to attract the highest level of candidates. Performance conditions will be applied in line with the normal annual awards.	Granted subject to achieving the performance conditions set at the date of the award. A percentage of the award will vest for "Threshold" performance with full vesting taking place for equalling or exceeding the performance "Target". In between the Threshold and Target there may be pro rata vesting. The Committee retains the ability to amend the performance conditions for future grants to ensure that such grants achieve the stated purpose.
EMPLOYEE INCENTIVE PLAN			
To incentivise all other eligible staff and to encourage long-term retention.	Awards may be granted under the Itaconix plc LTIP. However, such awards will either be approved EMI or unapproved market value share options as determined by the Committee and with vesting periods generally in line with those set for the above LTIP awards.	As determined by the Committee, but usually a pool will be created based on a percentage (not expected to be more than 50%) of the aggregate salary cost of the eligible staff, and this will then be allocated to individuals by the Executive Directors based on merit.	Eligible staff members must be in the employment of the Group at vesting.

Remuneration Committee flexibility, discretion and judgement

The Committee operates the variable incentive plans according to their respective scheme rules and in accordance with HM Revenue and Customs (HMRC) rules where relevant. To ensure the efficient administration of these plans the Committee advises on certain operational matters. These include the determination of:

- the participants of the plans on an annual basis;
- the timing of grant of award and/or payment;
- the quantum of an award and/or a payment (within the limits set in the policy tables above);
- the extent of vesting based on actual performance;

- adjustments required in certain circumstances (e.g. change of control, rights issues, corporate restructuring etc);
- "good/bad leaver" status for incentive plan purposes and the appropriate treatment chosen;
- the annual performance measures, targets and thresholds for the annual incentive and LTIP award.

If an event occurs which results in the annual incentive or LTIP conditions being deemed no longer appropriate then the Committee will have the ability to adjust the measures and/or targets so that the conditions are not materially less difficult to satisfy.

Key aspects of the remuneration policy for the Chairman and Non-executive Directors

The Chairman and Non-executive Directors have service contracts contemplating a three year term with an expectation that they will be available to serve at least one further term. The fees of the Chairman and Non-executive Directors are reviewed annually by the Executive Directors and Chairman and recommendations are brought to the Board. The Chairman is not involved in the determination of his own fees. The Chairman and Non-executive Directors are not eligible to participate in annual incentive plans, long-term incentive plans or pension arrangements. Benefits may, however, be provided to Non-executive Directors related to the performance of their duties (e.g. reimbursement of reasonable travel and other expenses incurred in connection with the Group's business).

The Company's Articles of Association place a restriction on the aggregate amount payable to Non-executive Directors to the sum of £500,000.

Purpose and link to strategy	Operation	Maximum opportunity	Performance conditions
FEES			
To ensure that the Group can attract and retain the appropriate number and mix of Non- executive Directors with the correct experience to provide balance, oversight and challenge.	Non-executive Directors' fees are reviewed on an annual basis and are subject to the Articles of Association. The Board will exercise judgement in determining the extent to which fees are altered in line with market practice given the requirement to procure and retain the appropriate skills and given the expected time commitments. Non-executive Directors are paid an annual fee with additional fees for the roles of Senior Independent Director and Chairmen of Board committees.	Fees for the year ended 31 December 2016 are set out in the Annual Report on Remuneration (section B3.3). Increases above those awarded for the rest of the organisation may be made to reflect the periodic nature of any review. Changes in the scope or responsibilities of a Director's role, or the time commitment required, may require an adjustment to the level of the fee. The maximum level of fees specified in the Articles of Association is reviewed by the Board from time to time.	None.

Choice of performance measures and approach to Target setting

The choice of performance measures applicable to the annual incentive scheme reflects the Committee's belief that incentives should be appropriately challenging and tied to the achievement of both forward and backward-looking financial objectives, risk metrics and specific individual objectives linked to the Company's strategy.

The Committee reviews the measures each year and varies them as appropriate to reflect the priorities for the business in the year ahead. A sliding scale of Targets is set for each measure to encourage continuous improvement and encourage the delivery of above-Target performance.

The LTIP is subject to shareholder return growth measures to provide a focus on the Group's financial performance and shareholder value creation. Such targets are currently set as specific milestones for the Company's share price performance over the vesting period.

Policy on recruitment and promotion

Salaries for newly recruited Directors will be set to reflect their skills and experience, the Company's intended pay positioning and the market rate for the role. If it is considered appropriate to appoint a new Director on a below market salary (for example, to allow the Director to gain experience in the role) the individual's salary may be increased to a market level by way of a series of above inflation increases over two to three years, subject to performance and development in the role.

A new appointment would be offered benefits comparable to existing Directors, as well as other reasonable expenses such as legal and relocation costs (if necessary on a net of tax basis).

The prevailing maximum bonus opportunity for existing Directors will not be exceeded for any newly recruited Director and would be pro-rated to reflect the proportion of the year worked. It may be necessary to set different performance measures and targets initially, dependent on the timing of the appointment and the nature of the role taken up. Guaranteed bonuses will not be offered.

LTIP awards may be granted shortly after appointment (subject to the Company not being in a closed period) and the quantum of the award may initially be larger than the maximum opportunity of existing Directors in order to be able to attract the highest calibre of appointment.

Current entitlements (for example, bonus and share awards) which will lapse on the individual's departure from a previous position may be replaced with awards that have no shorter time horizons, are subject to performance conditions and do not have a higher theoretical fair value. The Committee retains flexibility to act on such basis as it deems appropriate in the circumstances.

In the event that an existing employee is promoted to the Board, any contractual commitments made to the employee prior to such promotion will continue to be honoured even if they would not otherwise be consistent with the policy prevailing when the commitments are fulfilled.

Service contracts

Executive Directors are appointed on one year rolling contracts in line with current market practice and in the event of early termination these provide for the payment of one year's salary and benefits. At 31 December 2016, Kevin Matthews held a service contract entered into on 3 July 2014 (although his commencement date was 29 September 2014 as a result of notice obligations to his previous employer) and Robin Cridland held a service contract entered into on 4 July 2012.

Policy on termination payments

The provisions of the Executive Directors' service contracts will determine their entitlement to salary, benefits, pension and bonus as compensation for loss of office. Specific change of control provisions or entitlements to enhanced redundancy payments are excluded.

Any statutory entitlements or sums to settle or compromise claims in connection with the termination would be paid as necessary. In specific circumstances, outplacement services and relocation expenses may be provided at normal rates for Directors.

Bonuses are normally only payable where the individual remains employed and is not under notice at the payment date. However, in certain good leaver situations (injury or disability, redundancy or any other justification the Committee reasonably decides) a bonus may be payable at the Committee's discretion, based on an assessment of the performance of the individual and/or the Company over the period of the bonus year worked.

The treatment of share based incentive awards will be determined at the discretion of the Committee taking into account the relevant rules of the plan.

On determination of a good leaver status or as a result of a death, then awards under all plans may be exercised within twelve months of the date of vesting, subject to HMRC rules as applicable.

B3. Directors’ remuneration report (continued)

Consideration of shareholders’ views

The Committee considers shareholder feedback received in relation to the AGM each year and from the Company’s regular engagement with major shareholders and their representative bodies, together with any additional feedback received during other meetings and communications with shareholders.

All views received are reported back to the Committee which will take them into account when formulating any material changes to the remuneration policy.

Legacy arrangements

For the avoidance of doubt, in approving this Policy Report, authority was given to the Company to honour any commitments entered into with current or former Directors that have, or will have, been disclosed to shareholders in remuneration reports before the Policy took effect.

B3.3 Annual report on remuneration

B3.3.1 Application of policy

Consideration by Directors of matters relating to remuneration

Remuneration Committee

During the year, the Remuneration Committee consisted of Jack Keenan (who chaired the Committee), Bryan Dobson and Julian Heslop, all of whom are considered to be independent Non-executive Directors. From 1 January 2017, Jack Keenan retired from the Committee (and the Board) and Bryan Dobson replaced him as Committee Chairman.

None of the Non-executive Directors who sat on the Committee during the year had any personal financial interest in the business (other than as a shareholder), conflict of interest arising from cross-directorships or day-to-day involvement in running the business. The Chairman of the Board does not participate in discussions on his own remuneration.

The terms of reference for the Committee are available from the Company website (in the Investor Relations section and under Corporate Governance). During the year the Remuneration Committee met three times, during which meetings it reviewed and recommended to the Board the salary review, bonus and equity incentive schemes for 2016; the remuneration package for the new Chief Commercial Officer; and the remuneration packages for the management team of the US business after the acquisition of Itaconix Corporation. The Board approved all such recommendations.

Application of the remuneration policy for the year ending 31 December 2017

Salary and fees

The current levels of annual salaries and fees effective from 1 January 2017 are:

	2017	2016
Executive Directors		
Kevin Matthews	**£219,700**	£216,500
Robin Cridland	**£203,000**	£200,000
Non-executive Directors		
John Keenan (retired 31 December 2016)	**nil**	£40,000
Bryan Dobson	**£60,000**	£60,000
Julian Heslop	**£40,000**	£40,000
Robert Frost (retired 31 December 2016)	**nil**	£15,000
James Barber (appointed 12 September 2016)	**£35,000**	nil
Michael Townend(1)	**£15,000**	£15,000

(1) The fee in respect of the service of Mr Townend is paid to IP2IPO Limited, a subsidiary of IP Group plc.

Annual cash incentive

The annual cash bonus plan for 2017 is based for all staff on a number of challenging corporate objectives which directly contribute to an increase in the value of the Company. For 2017, the target bonus levels for Executive Directors on meeting all of these objectives are:

Kevin Matthews	100% of base salary
Robin Cridland	100% of base salary

The Committee considers that the performance metrics underpinning the annual incentive are in line with shareholders' expectations.

Pension contributions and other benefits

Executive Directors are entitled to receive pension contributions amounting to 10% of base salary and to be paid into a money purchase scheme, or cash equivalent. In addition, and in accordance with their service contracts, they are also entitled to private medical expenses insurance, life assurance and permanent health insurance.

Long-term Incentive Plan (LTIP)

The LTIP comprises an annual grant of performance shares to Executive Directors and senior management under the Long Term Investment Plan. The grant for 2016 was made on 29 September 2016 based on 150% of base salary for Kevin Matthews and 100% of base salary for Robin Cridland, taking into account the then current market price of the ordinary shares of 34p.

A 2017 grant to Kevin Matthews and Robin Cridland is anticipated once the Company is no longer in a closed period and will be based on 150% of base salary for Kevin Matthews and 100% of base salary for Robin Cridland taking into account the market price of the Company’s shares on the date of the grant.

B3.3.2 Directors’ remuneration for the year ended 31 December 2016

Single total figure of remuneration for each Director

The following tables have been prepared using the measures prescribed by the Large and Medium- sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013.

In accordance with the Regulations, the values shown for share awards vesting in the year have been calculated on the basis of the share price at the vesting date, which may not necessarily equate to the price at which the awards have been or may be exercised.

Year ended 31 December 2016

	Fixed remuneration			**Variable remuneration**		
	Salary/ Fees £000	**Benefits £000**	**Pension £000**	**Bonus £000**	**Share awards £000**	**Total £000**
Executive Directors						
Kevin Matthews	217	15	22	91	–	345
Robin Cridland	200	10	20	84	–	314
Non-executive directors						
John Keenan	40	–	–	–	–	40
Bryan Dobson	60	–	–	–	–	60
Robert Frost	15	–	–	–	–	15
James Barber	11	–	–	–	–	11
Julian Heslop	40	–	–	–	–	40
Michael Townend[(1)]	–	–	–	–	–	–
Total	583	25	42	175	–	825

(1) An amount of £15,000 was paid to IP Group plc for the services of Mr Townend.

Year ended 31 December 2015

	Fixed remuneration			Variable remuneration		
	Salary/ Fees £000	Benefits £000	Pension £000	Bonus £000	Share awards £000	Total £000
Executive Directors						
Kevin Matthews	210	10	21	147	–	388
Robin Cridland	194	8	19	136	–	357
Non-executive directors						
John Keenan	55	–	–	–	–	55
Bryan Dobson	45	–	–	–	–	45
Robert Frost	15	–	–	–	–	15
Julian Heslop	40	–	–	–	–	40
Michael Townend(1)	–	–	–	–	–	–
Total	559	18	40	283	–	900

(1) An amount of £15,000 was paid to IP Group plc for the services of Mr Townend.

Remuneration in respect of share awards is calculated by multiplying the number of shares vesting in the year by the mid-market closing price of the shares on the vesting date.

The link between pay and performance – Annual incentive for the year ended 31 December 2016

The annual bonus for the year under review was based on performance against key milestones across the Group's business areas, prioritising Specialty Chemicals. The details were as follows:

Performance Criteria	Target Allocation	Target Measure	2016 Outcome	Award made as % of Target
Specialty Chemical Commercial Deals Executed	50%	10% of Target for every £1m of deal value signed up to 50% (£5m)	Not achieved (acquisition of Itaconix Corporation was excluded)	nil
Specialty Chemical Supply Chain established	17.5%	Establishment of infrastructure (internal and with CMOs) to support 80% OTIF* to specification supply of at least 2 products	Fully achieved	17.5%
Specialty Chemical Contribution	17.5%	30% of contribution available for bonus up to 17.5% of Target	Not achieved	nil
Divestment of Nicotine Gum Business	15%	Completion of divestment during the period	Fully achieved	nil
TOTAL	100%	–	–	32.5%

*: on time in full

B3. Directors' remuneration report (continued)

In addition, an exceptional mid-year bonus was paid for progress towards the establishment of a supply chain infrastructure in respect of specific first half targets, in view of the urgency of the project. This amounted to £21k for Kevin Matthews and £19k for Robin Cridland.

Directors' share options

The aggregate emoluments disclosed above do not include any amounts for the value of options to acquire shares in the Company granted to or held by Directors except for those awards vesting in the year.

Details of all options over shares in Itaconix plc for Directors who served during the year are as follows:

Name	Scheme	1 January 2016	Granted/ (Lapsed)	(Exercised)	31 December 2016	Exercise Price £	Total Exercise Cost £	Date from which exercisable	Expiry Date
Kevin Matthews	LTIP	567,568		–	**567,568**	nil	nil	30/04/18	30/04/25
	LTIP		955,147	–	**955,147**	nil	nil	29/09/19	29/09/26
Sub total		**567,568**	**955,147**	**–**	**1,522,715**		**nil**		
Robin Cridland									
	EMI	417,120	–	–	**417,120**	0.26167	109,148	10/07/12	12/11/18
	2008	98,970	–	–	**98,970**	0.26167	25,897	10/07/12	12/11/18
	2008	132,840	–	–	**132,840**	nil	nil	10/07/12	23/04/22
	EMI	171,870	–	–	**171,870**	nil	nil	10/07/12	10/07/22
	2008	378,120	–	–	**378,120**	nil	nil	10/07/12	10/07/22
	LTIP	253,521	(253,521)	–	**–**	nil	nil	09/01/16	lapsed
	LTIP	355,140			**355,140**	nil	nil	23/04/17	23/04/24
	LTIP	349,550	–	–	**349,550**	nil	nil	30/04/18	30/04/25
	LTIP		588,235		**588,235**	nil	nil	29/09/19	29/09/26
Sub total		**2,157,131**	**334,714**		**2,491,845**		**135,045**		
Grand total		**2,724,699**	**1,289,861**		**4,014,560**		**135,045**		

Except for those granted under the LTIP, all of the above options were originally granted over the shares of Revolymer (U.K.) Limited. Options shown as EMI are under an approved HMRC 2008 scheme while those shown as 2008 are under an unapproved 2008 scheme. As part of the Admission documentation and via subsequent share exchange deeds, these options were converted into options over Revolymer plc shares. Each option over 1 ordinary share in Revolymer (U.K) Limited was converted into an option over 30 ordinary shares in Revolymer plc but at an exercise price of one thirtieth of the original grant. Options over Revolymer plc shares became options over equivalent shares in Itaconix plc as a result of the recent name change since the Company's registration number was unchanged.

The closing mid market price of the ordinary shares at 30 December 2016 was 27p and the range during the year then ended was 68.5p to 27p.

Directors' interest in shares

The interests of the Directors in the shares of the Company at 31 December 2016, excluding options over shares shown above, were as follows:

The Company – ordinary shares of 1p each	**Number of ordinary shares**
John Keenan (retired 31 December 2016)	931,750
Bryan Dobson	83,500
Michael Townend	64,940
Julian Heslop	60,000
Robin Cridland	52,836
James Barber	45,000
Kevin Matthews	20,000
TOTAL	**1,258,026**

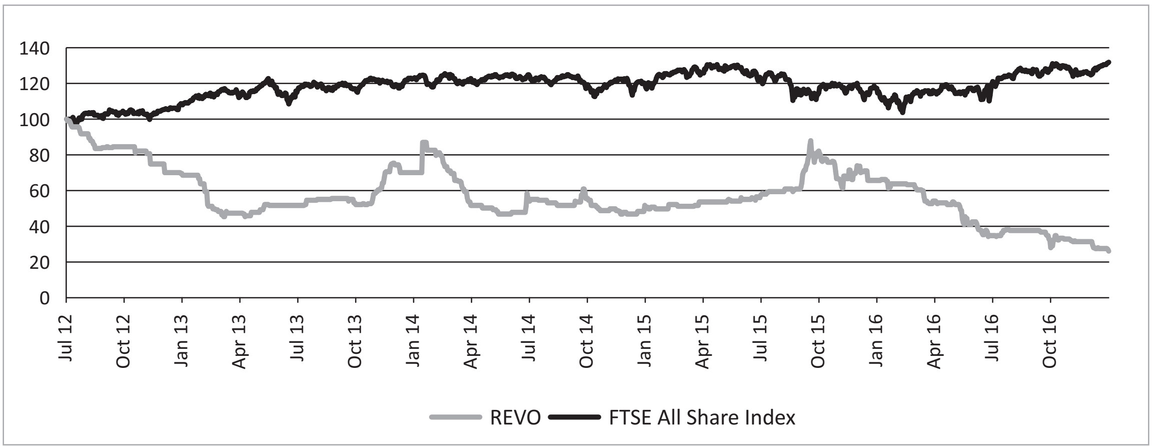
The Board also requires the Executive Directors to maintain minimum interests (equivalent to 200% of salary at the time of grant) before selling any ordinary shares that are the result of LTIP exercises, except that they may sell that number of ordinary shares that are required to satisfy any income tax and employee's national insurance liabilities arising at exercise. This requirement shall not apply on a change of control, or other transaction with substantially the same effect, or at the discretion of the Board.

B3.3.3 Other information

The information provided in this part of the Directors' Remuneration Report is not subject to audit.

Performance graph

The following graph shows the Company's TSR performance compared with the performance of the FTSE All Share index.



The graph shows the value of £100 invested in Revolymer plc (now Itaconix plc) on Admission on 10 July 2012 compared with £100 invested on the same day invested in the FTSE All Share Index.

Consultations with shareholders

Itaconix attaches a high priority to effective communication with both private and institutional shareholders. The AGM is the principal forum for dialogue with private shareholders. A business presentation is made at the AGM and there is an opportunity for shareholders to put questions to the Directors. Itaconix's consultation with its institutional shareholders tends to be focused in the periods immediately following the announcement of its audited preliminary results (historically in March), its unaudited interim results (historically in September) and the achievement of commercial milestones as appropriate, reflecting the annual cycle of open and closed (or prohibited) periods that govern the communications of public companies. Such communications are designed to take questions on and clarify as necessary the content of the announcements, and may take the form of a programme of one to one visits, group meetings and briefings, or teleconferences. Shareholders are also welcome to contact the Company with questions and constructive feedback directly, using the contact details provided on our website or via our nominated adviser and broker, N+1 Singer.

The Directors' Remuneration Report, section B3 of this Annual Report, including both the Policy Report and Annual Report on Remuneration has been approved by the Board of Directors.

Signed on behalf of the Board of Directors

Bryan Dobson
Chairman of the Remuneration Committee

3 April 2017

B4. 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').

Directors and their interests

The Directors of the Company at 31 December 2016 were:

Bryan Dobson (Chairman);
Kevin Matthews (Chief Executive Officer);
Robin Cridland (Chief Financial Officer and Company Secretary);
Julian Heslop (Non-executive);
Michael Townend (Non-executive); and
James Barber (Non-executive).

John Keenan (Non-executive) and Robert Frost (Non-executive) both served during the year and retired on 31 December 2016.

All the Directors stood for re-election at the 2016 Annual General Meeting, except for Jim Barber who was appointed by the Board after the 2016 Annual General Meeting. In accordance with article 90 of the Company's Articles of Association no Directors except for Jim Barber need to stand for re-election at the 2017 Annual General Meeting. However, the Board has decided that in order to follow the principles of the UK Corporate Governance Code, all Directors holding office at the date of this report will offer themselves for re-election in 2017.

Biographical details of all the Directors at the date of this report are given in section B1.

The interests of the Directors in the share capital of the Company are disclosed in the Directors' Remuneration Report in section B3. There have been no other changes in the Directors' interests since 31 December 2016.

None of the Directors has a service contract with the Company 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.

Directors' indemnity

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 does not anticipate paying any dividends in the foreseeable future. The Directors therefore do not recommend payment of a dividend.

Charitable and political donations

No contributions were made to charities or political organisations during the period.

Employees

Further details on employees, health and safety, environmental matters and corporate social responsibility are contained in the Corporate Social Responsibility Statement in section A5.

Post balance sheet events

It was announced on 1 March 2017 that Revolymer plc changed its name to Itaconix plc.

Substantial shareholdings

In addition to the Directors' interests, as disclosed in section B3, as at 27 February 2017 the Company had been notified of the following shareholdings amounting to 3% or more of the ordinary share capital of the Company:

Institution	Shares held	% holding
Woodford Investment Management	26,988,000	34.3%
IP Group	12,317,123	15.6%
Henderson Global Investors	7,370,500	9.4%
Sand Aire	5,680,951	7.2%
Naxos Capital Partners SCA Sicar	3,072,980	3.9%

The percentage interest has been calculated on the total voting rights of 78,717,948, being the Company's issued share capital on 27 February 2017. No other person has reported an interest in the ordinary shares of the Company required to be notified to the Company.

Going concern

The Directors confirm that they have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, based on its anticipated annual inflow and outflow of funds and current cash position. Accordingly, they have continued to adopt the going concern basis in preparing the financial statements. Further detail is given in section A4.

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.

Information given to the auditor

Each of the persons who is a Director at the date of approval of this Annual Report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware;
- the Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

The Directors are responsible for preparing this Annual Report and the financial statements in accordance with applicable law and regulations.

Auditor

Ernst & Young LLP have expressed their willingness to continue in office as auditor. A resolution concerning their re-appointment will be proposed at the 2017 Annual General Meeting.

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

Robin Cridland
Chief Financial Officer and Company Secretary

3 April 2017

B5. Statement of Directors' responsibilities
In relation to the financial statements

Company law requires the Directors to prepare financial statements for each financial year. The Directors are required by the IAS Regulations to prepare the Group financial statements under International Financial Reporting Standards (IFRSs) as adopted by the European Union and have also elected to prepare the parent company financial statements in accordance with IFRSs as adopted by the European Union.

Under company law the Directors must not approve accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company for that period. In preparing the financial statements, IAS 1 requires that the Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events or conditions on the entity's financial position and financial performance;
- make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' responsibility statement

We confirm to the best of our knowledge that:

- the financial statements, prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the Strategic Report and the Directors' Report include a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face.

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

C. Independent auditor's report
To the members of Itaconix plc

We have audited the financial statements of Itaconix plc (previously called Revolymer plc) for the year ended 31 December 2016, which comprise the Consolidated Income Statement, the Consolidated and Parent Company Balance Sheets, the Consolidated and Parent Company Statements of Changes in Equity, the Consolidated and Parent Company Statements of Cash Flow and the related notes 1 to 29. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the 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 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 Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out in section B.5, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on 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 2016 and of the Group's loss for the year then ended;

- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;

- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and

- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

C. Independent auditor's report (continued)
To the members of Itaconix plc

Opinion on other matter prescribed by the Companies Act 2006

In our opinion

- based on the work undertaken in the course of the audit

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report or Directors' Report.

We have nothing to report in respect of the following matters where 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.

Alistair Denton (Senior statutory auditor)
for and on behalf of Ernst & Young LLP
Statutory Auditor
Manchester
United Kingdom

3 April 2017

D. The accounts

D1.1 Consolidated income statement

For the year ended 31 December 2016

	Notes	2016 £'000	2015 £'000
Continuing operations			
Revenue	4	**285**	27
Cost of sales		**(230)**	–
Gross profit		**55**	27
Other operating income	5	**38**	26
Administrative expenses		**(5,275)**	(2,663)
Group operating loss	6	**(5,182)**	(2,610)
Finance income	8	**51**	88
Share of loss of associate	13	**(508)**	–
Loss before tax from continuing operations		**(5,639)**	(2,522)
Taxation credit	9	**531**	1,793
Loss for the year from continuing operations		**(5,108)**	(729)
Loss after tax for the year from discontinued operations	10	**(608)**	(1,063)
Loss for the year		**(5,716)**	(1,792)
Basic loss per share	11	**(8.2)p**	(3.2)p
Diluted loss per share	11	**(8.2)p**	(3.2)p
Basic loss per share from continuing operations	11	**(7.3)p**	(1.3)p
Diluted loss per share from continuing operations	11	**(7.3)p**	(1.3)p

The discontinued operations relate to the nicotine gum business, the divestment of which was completed on 31 October 2016 and announced on 2 November 2016.

The continuing operations relate to the specialty chemicals business of the Group, including Itaconix Corporation acquired on 20 June 2016.

Further details of the business during the year are provided in the Strategic Report and Notes to the financial statements.

D1.2 Consolidated statement of other comprehensive income

For the year ended 31 December 2016

	Notes	**2016** **£'000**	2015 £'000
Loss for the year		**(5,716)**	(1,792)
Items that will be reclassified subsequently to profit or loss			
Exchange differences in translation of foreign operations		**1,439**	–
Total comprehensive loss for the year, net of tax		**(4,277)**	(1,792)
Atributable to:			
Equity holders of parent		**(4,277)**	(1,792)

D1.3 Consolidated and company balance sheets

At 31 December 2016

	Notes	Group 2016 £'000	Group 2015 £'000	Company 2016 £'000	Company 2015 £'000
Non-current assets					
Property, plant and equipment	15	**803**	340	**–**	–
Intangible assets	14	**10,124**	–	**–**	–
Trade and other receivables	17	**–**	–	**3,446**	–
Investment in subsidiary undertakings	12	**–**	–	**6,078**	277
Investment in associate undertakings	13	**145**	–	**–**	–
		11,072	340	**9,524**	277
Current assets					
Inventories	16	**210**	164	**–**	–
Trade and other receivables	17	**835**	1,017	**78**	43
Investments	18	**–**	7,000	**–**	7,000
Cash and cash equivalents	19	**8,789**	3,514	**4,424**	228
		9,834	11,695	**4,502**	7,271
Total assets		**20,906**	12,035	**14,026**	7,548
Financed by					
Equity shareholders' funds					
Equity share capital	24	**787**	567	**787**	567
Equity share premium		**28,588**	23,220	**28,588**	23,220
Own shares reserve		**(5)**	(5)	**(5)**	(5)
Merger reserve		**20,361**	17,626	**2,455**	(280)
Share based payment reserve		**6,220**	6,084	**413**	277
Foreign translation reserve		**1,439**	–	**–**	–
Retained earnings		**(42,936)**	(37,168)	**(21,673)**	(16,324)
Total equity		**14,454**	10,324	**10,565**	7,455
Non-current liabilities					
Provisions	21	**3,414**	–	**3,414**	–
Deferred tax liability	9	**1,458**	–	**–**	–
		4,872	–	**3,414**	–
Current liabilities					
Trade and other payables	20	**1,580**	1,711	**47**	93
Total liabilities		**6,452**	1,711	**3,461**	93
Total equity and liabilities		**20,906**	12,035	**14,026**	7,548

The loss for the year for the Company amounted to £5,297k (2015: £4,670k).

The financial statements of Itaconix plc, registered number 08024489, were approved by the Board of Directors for issue on 3 April 2017.

Robin Cridland
Director

D1.4 Consolidated and company statements of changes in equity

For the year ended 31 December 2016

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 earnings £'000	Total £'000
At 1 January 2015	566	23,203	(5)	17,626	6,374	–	(35,376)	12,388
Loss for the year	–	–	–	–	–	–	(1,792)	(1,792)
Exercise of share options	1	17	–	–	–	–	–	18
Share based payments	–	–	–	–	(290)	–	–	(290)
At 1 January 2016	567	23,220	(5)	17,626	6,084	–	(37,168)	10,324
Loss for the year	–	–	–	–	–	–	(5,716)	(5,716)
Other comprehensive income	–	–	–	–	–	1,439	–	1,439
Shares issued to the market in the year	157	5,645	–	–	–	–	–	5,802
Shares issued as consideration for Itaconix in the year	63	–	–	2,735	–	–	–	2,798
Transaction costs	–	(278)	–	–	–	–	(52)	(330)
Exercise of share options	–	1	–	–	–	–	–	1
Share based payments	–	–	–	–	136	–	–	136
At 31 December 2016	**787**	**28,588**	**(5)**	**20,361**	**6,220**	**1,439**	**(42,936)**	**14,454**

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 earnings £'000	Total £'000
At 1 January 2015	566	23,203	(5)	(280)	567	–	(11,654)	12,397
Loss for the year	–	–	–	–	–	–	(4,670)	(4,670)
Exercise of share options	1	17	–	–	–	–	–	18
Share based payments	–	–	–	–	(290)	–	–	(290)
At 31 December 2015	567	23,220	(5)	(280)	277	–	(16,324)	7,455
Loss for the year	–	–	–	–	–	–	(5,297)	(5,297)
Shares issued to the market in the year	157	5,645	–	–	–	–	–	5,802
Shares issued as consideration for Itaconix in the year	63	–	–	2,735	–	–	–	2,798
Transaction costs	–	(278)	–	–	–	–	(52)	(330)
Exercise of share options	–	1	–	–	–	–	–	1
Share based payments	–	–	–	–	136	–	–	136
At 31 December 2016	**787**	**28,588**	**(5)**	**2,455**	**413**	**–**	**(21,673)**	**10,565**

The reserves described above have the purposes described below:

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.

D1.5 Consolidated and company statements of cash flow

For the year ended 31 December 2016

		Group		Company	
		2016	2015	**2016**	2015
	Notes	**£'000**	£'000	**£'000**	£'000
Net cash (outflow)/inflow from continuing operating activities	25	**(3,478)**	(1,591)	**(581)**	91
Net cash (outflow) from discontinued operating activities	10	**(1,250)**	(1,010)	**–**	–
Net cash (outflow)/inflow from operating activities		**(4,728)**	(2,601)	**(581)**	91
Cash flows from investing activities					
Interest received		**91**	107	**88**	101
Purchase of property, plant and equipment		**(518)**	(196)	**–**	–
Acquisition of subsidiary, net of cash acquired		**(2,043)**	–	**–**	–
Funds withdrawn from term deposits		**7,000**	4,500	**7,000**	4,500
Net cash inflow from investing activities		**4,530**	4,411	**7,088**	4,601
Cash received from issue of shares		**5,525**	18	**5,525**	18
Transactions costs paid on the issue of shares		**(52)**	–	**(52)**	–
Cash loaned to subsidiary undertaking		**–**	–	**(7,784)**	(4,830)
Net cash inflow/(outflow) from financing activities		**5,473**	18	**(2,311)**	(4,812)
Net inflow/(outflow) in cash and cash equivalents		**5,275**	1,828	**4,196**	(120)
Cash and cash equivalents at beginning of year		**3,514**	1,686	**228**	348
Cash and cash equivalents at end of year		**8,789**	3,514	**4,424**	228

D2. Notes to financial statements

For the year ended 31 December 2016

1. Introduction and statement of compliance with IFRS

As already referenced in earlier parts of this Annual Report, the Group underwent significant change during the year with the acquisition of all the issued share capital of US-based Itaconix Corporation in June 2016, and the divestment of the Group's nicotine gum business in October 2016 to Denmark-based Alkalon for a 15% holding in the resultant combined business. Furthermore, on 1 March 2017 the Company announced it has changed its name to Itaconix plc (and Revolymer (U.K.) Limited changed its name to Itaconix (U.K.) Limited at the same time). These transactions have resulted in significant changes and additions to the financial reporting required of the Group for the year ended 31 December 2016, including consideration of the following:

- Measurement of the fair value of the consideration paid for Itaconix Corporation, including contingent consideration payable;
- Measurement and valuation of intangible assets acquired;
- Measurement of the fair value of goodwill arising on consolidation of Itaconix Corporation;
- Effects of changes in foreign exchange rates applicable to components of the consideration paid and payable for Itaconix Corporation, and received and receivable from Alkalon, and intercompany arrangements;
- Accounting for investments in associates, namely Alkalon the acquirer of the nicotine gum business;
- Disclosure of discontinued operations, namely the nicotine gum business;
- Disclosure of contingent liabilities associated with the transaction with Alkalon (regarding the transfer to Alkalon of key commercial agreements);
- Disclosure of contingent assets associated with the transaction with Alkalon (regarding the potential to receive an additional 5% share if certain commercial milestones are met).

The board has considered these and other items carefully, and made disclosures that it deems appropriate in the financial statements and notes, with emphasis to the reader where relevant.

The Group's financial statements have accordingly been prepared in accordance with EU International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The principal accounting policies adopted by the Group, including new considerations triggered by events during the year and not applicable in 2015, are set out in Note 2. The nature of the Group's operations and its principal activities are set out in section A3.

The Directors anticipate that the adoption of Standards and Interpretations issued, but not applied in these financial statements as not yet effective, will have no material impact on the financial statements of the Group.

2. Accounting policies

Basis of preparation

Set out below are the main accounting policies which applied in preparing the financial statements for the years ended 31 December 2016 and 31 December 2015. The Group financial statements are presented in GBP because this is the currency of the primary economic environment in which the Group operates, and all values are rounded to the nearest thousand (£'000) unless otherwise indicated. The financial statements have been prepared on the historical cost basis, except for contingent consideration which has been measured at fair value.

The financial statements have been prepared on a going concern basis which the Directors, having undertaken appropriate investigation as summarised below, believe continues to be appropriate.

The Group made a loss for the year of £5,716k, had Net Current Assets at the period end of £8,254k and a Net Cash Outflow from Operating Activities of £4,728k. 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 £8,789k (2015: £10,514k), following the acquisition of the US Itaconix business (see Note 14) and cash received from the issue of shares in the period of £5,802k before expenses.

Itaconix plc has been a loss making business in each year of its existence to date. Whilst it expects to deliver its business plan of becoming a profitable specialty chemicals company in the medium term, it currently relies on its shareholders to fund the business. Uncertainties that are specific to Itaconix's business model include that revenue and profit growth is dependent on its products being incorporated into its customers products, and the rate at which this occurs is inherently difficult to predict.

Trading and cash flow forecasts modelling a number of scenarios were prepared for the period through to the end of 2020. The forecasts reflect the status of the Group's current activities and varying levels of achievement against the Board approved strategic plan for the business, which is informed by the intent of the Board to continue to successfully develop its operations and move to being cash generative by 2020.

These forecasts indicate that the Group has sufficient financial resources to continue to fund the business, based on the current scope of operations, through to at least mid 2018 and meet its liabilities as they fall due. The Board recognises that it is probable that there will be a need for further fundraising before the end of 2018 to enable the Group to continue as a going concern, but anticipates that this will be completed based on the Group delivering commercial progress (namely product launches and revenue growth) in the intervening period, and taking into account recent successful fundraisings. The Board will also consider reducing the Group's cost base as necessary, depending on commercial performance.

On this basis, the Directors consider that, at this time, there are no material uncertainties that might cast doubt upon the appropriateness of the continuing application of the going concern basis of preparation.

Adoption of new and revised reporting standards

(a) Standards, or sections thereof, previously not adopted

In accounting for the acquisition of Itaconix Corporation in June 2016 and the divestment of the nicotine gum business in October 2016, management has made reference to and relied upon certain sections of the following for the first time:

- IFRS 3 Business Combinations
- IFRS 10 Consolidated Financial Statements
- IAS 32 Financial Instruments: Presentation (in connection with contingent consideration)
- IAS 36 Impairment Testing
- IAS 38 Intangible Assets
- IFRS 5 Non Current Assets held for Sale and Discontinued Operations
- IAS 28 Investments in Associates and Joint Ventures
- IAS 21 Effects of Changes in Exchange Rates
- IAS 39 Financial Instruments
- IAS 37 Contingent Assets

(b) Standards issued but not yet effective

At the date of authorisation of these financial statements the following International Financial Reporting Standards and Interpretations, which have not been applied in these financial statements, were in issue but not yet effective. The Group will adopt these standards, if applicable, when they become effective:

- IFRS 9 Financial Instruments;
- IFRS 15 Revenue from Contracts with Customers;
- IFRS 16 Leases;
- Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions;
- Amendments to IFRS10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture;
- Amendments to IAS 7 Disclosure Initiative; and
- Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses.

The adoption of IFRS 9 will require changes to the valuation and income recognition methods relating to the Group's receivables, borrowings and liabilities. This Standard will come into force with effect from the Group's financial statements for the year ending 31 December 2018, and management is assessing the potential impact on the Group's financial statements.

IFRS 15 will replace the standards currently governing the recognition of that part of the Group's income which does not derive directly from financial assets. It will come in to force with effect from the Group's financial statements for the year ending 31 December 2018, and management is assessing the potential impact on the Group's financial statements.

The adoption of IFRS 16 will require lessees to recognise assets and liabilities on the Group's balance sheet. It will come in to force with effect from the Group's financial statements for the year ending 31 December 2019, and management is assessing the potential impact on the Group's financial statements.

Other Standards and interpretations in issue but not effective (or amendments), if any, do not address matters that are significantly relevant to the Group's accounting and reporting and so have not been referenced here.

Consolidation

Following the incorporation of Revolymer plc (now Itaconix plc) in 2012 as the parent of Revolymer (U.K.) Limited (now Itaconix (U.K.) Limited), the Directors have consistently adopted common control combination accounting as the basis of consolidation in order to give a true and fair view of the financial performance of the Group. 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. Control is achieved where the Company has power over each subsidiary, the exposure, or rights to variable returns from its involvement with each subsidiary; and the ability to use its power over each subsidiary to affect the amount of the Company's returns.

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

Business combinations, contingent consideration and goodwill

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 which are deemed to be an asset or liability, are recognised in accordance with IAS 39 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.

Goodwill is initially measured at cost being the excess of the aggregate of the acquisition-date fair value of the consideration transferred over the fair value of the assets acquired and the liabilities assumed in exchange for the business combination. Assets acquired and liabilities assumed in transactions separate to the business combinations, such as the settlement of pre-existing relationships or post-acquisition remuneration arrangements are accounted for separately from the business combination in accordance with their nature and applicable IFRSs. Identifiable intangible assets, meeting either the contractual-legal or separability criterion are recognised separately from goodwill. Contingent liabilities representing a present obligation are recognised if the acquisition-date fair value can be measured reliably.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Each unit or group of units to which goodwill is allocated shall represent the lowest level within the entity at which the goodwill is monitored for internal management purposes and not be larger than an operating segment before aggregation.

Associates

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

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

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

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

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

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

Discontinued operations

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss.

All other Notes to the financial statements include amounts from continuing operations, unless otherwise mentioned.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group 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 all the significant risks and rewards of ownership of the goods have passed to the buyer and the seller no longer retains continuing managerial involvement. The delivery date is usually the date on which ownership passes. 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.

Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

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

Research and development costs

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

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

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

Foreign currencies

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the year-end date. Non-monetary items that are measured at historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

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

The assets and liabilities in the financial statements of foreign subsidiaries 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.

Intangible assets

Intangible assets are carried at either cost less any accumulated amortisation and any accumulated impairment losses. The treatment methods for each type of intangible fixed asset are:

Goodwill	Cost subject to annual impairment
Intellectual property acquired	Amortisation

Amortisation is calculated to write off the depreciable amount of an intangible asset with a finite useful life on a systematic basis over such life. Amortisation shall begin when the asset is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. The rates of amortisation currently applied are:

Intellectual property arising on consolidation of Itaconix Corporation	13 years*

*: based on the estimated life of the overall intellectual property portfolio acquired

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:

Short leasehold equipment	5 years
Plant and equipment	4 years
Computer and office equipment	3 years

Impairment of assets with finite lives

At each balance sheet date, the Group reviews the carrying amounts of its assets with finite lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, or when annual impairment testing for an asset is required, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

Trade and other receivables

Trade receivables, which generally have 30 day terms, are recognised and carried at the lower of their original invoiced value and recoverable amount. Where the time value of money is material, receivables are carried at amortised cost. Provision is made when there is objective evidence that the Group will not be able to recover balances in full. The amount of the write-down is determined as the difference between the assets carrying amount and the present value of estimated future cash flows.

Cash, cash equivalents and investments

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

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Finance leases which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the income statement.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an operating expense in the income statement on a straight-line basis over the lease term. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

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;

- 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 undisclosed 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 and equity instruments are classified according to the substance of the contractual arrangements entered into.

A financial liability exists where there is a contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities under potentially unfavourable conditions. In addition contracts which result in the Group delivering a variable number of its own equity instruments are financial liabilities. Instruments which are legally share capital containing such obligations are classified as financial liabilities.

Trade and other payables

Trade payables are recognised and carried at their original invoiced value. Where the time value of money is material, payables are carried at amortised cost.

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

IFRS 2 requires the recognition of equity settled share based payments at fair value at the date of the grant and the recognition of liabilities for cash settled share based payments at the current fair value at each balance sheet date. All equity settled share based payments are ultimately recognised as an expense in the profit and loss account with a corresponding credit to the share based payment reserve.

If vesting periods or other non market vesting conditions apply, the expense is allocated over the vesting period based on the best available estimate of the number of share options expected to vest. Estimates are revised subsequently if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period.

Upon exercise of share options, the proceeds received net of attributable transaction costs are credited to share capital and where appropriate, share premium. When nil cost options are exercised the nominal value of the shares issued is charged to retained earnings.

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.

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

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

Fair value of the purchase price for Itaconix Corporation and identification and valuation of intangible assets acquired

Following the acquisition of Itaconix Corporation, management undertook a process to identify and value the intangible assets acquired under IFRS 3. This so-called purchase price allocation (PPA) process involved five steps as follows:

1) Determination of the total fair value of the purchase price

2) Identification of the cash generating units (CGUs) expected to benefit from the business combination – for the purpose of this PPA the Itaconix Corporation business was treated as one CGU

3) Identification of assets and liabilities purchased, including intangibles

4) Determination of fair values of these assets and liabilities

5) Determination of goodwill, being the excess of the fair value of the purchase price over the fair value of the net assets of the identified CGU

The consideration for Itaconix Corporation was $3m in cash, $4m in new ordinary shares and $6m in deferred performance related consideration (also payable in new ordinary shares). Specifically, the deferred performance related consideration will be payable to the Itaconix Corporation shareholders, subject to the achievement of certain growth targets for the calendar years 2017 to 2020, based on 50% of incremental annual net sales above $3 million in 2017 and in excess of the prior year for 2018 to 2020 inclusive. The deferred performance related consideration will be capped at $6 million in aggregate. Such deferred performance related consideration, if any, shall be satisfied annually in the form of deferred consideration shares issued at a price equivalent to the volume-weighted average closing mid-market share price over the 30 trading days immediately preceding the first day on which the financial results for the prior year with reference to which such deferred performance related consideration will be calculated are publicly released.

In order to value the deferred performance related consideration, management made judgements about the likelihood of it being paid, and the phasing of such payments. To inform this judgement reference was made to the Board approved medium term strategic plan for the Group which forecasted relevant annual net sales and therefore allowed a profile of future payments to be estimated. This payment profile was then discounted at an appropriate rate (see judgement on discount rates below) to derive a net present value that was use as the basis for the fair value of the deferred consideration.

The findings of the PPA process and the derived fair value of the purchase price is summarised in Note 14.

Amortisation or review for impairment of acquired intangible assets at the period end

Since the acquisition of Itaconix Corporation occurred in the middle of the year, the intangible assets acquired are required to be amortised or reviewed for impairment at the period end (and at least annually thereafter). The intangible assets identified out of the PPA process were intellectual property and customer relationships, and the balance to reconcile from net tangible assets to the fair value of the purchase price was goodwill.

Intellectual property arising from the acquisition of Itaconix Corporation has been amortised over a useful life of 13 years, based on the estimated life of the overall intellectual property portfolio acquired.

Since the customer relationships are not governed by any commercial contracts with specified durations, it is possible to amortise them over a fixed term. They are reviewed for impairment if indicators of impairment exist.

Accounting for the investment in Alkalon

On completion of the divestment of the nicotine gum business, the consideration to Itaconix was 15% of the equity of the new business resulting from the combination of the divested business and Alkalon's existing business. In addition, the Group has the right to appoint a director to the board of Alkalon (which it has exercised), and if certain commercial contracts are awarded to Alkalon within 9 months of completion the interest owned by Itaconix will increase to 20%. Taking these factors into account, management judges it appropriate to equity account for the investment in Alkalon under IAS 28 as an associate.

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 26).

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 17).

4. Revenue

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

	2016	2015
	£'000	£'000
Sale of goods	**285**	27
Revenue	**285**	27

Geographical information

	2016	2015
	£'000	£'000
Europe	**140**	7
North America	**145**	20
	285	27

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

Segmental information

The revenue information above is derived from the continuing operations and excludes the Nicotine Gum segment that was disposed of during the year (see Note 10).

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. This segment makes up the continuing operations above.

Net assets of the Group are attributable solely to Europe and the US.

5. Other operating income

	2016 £'000	2015 £'000
Technology Strategy Board grant income	**38**	26
	38	26

6. Group operating loss

This is stated after charging:

	2016 £'000	2015 £'000
Auditor's remuneration		
Audit of the financial statements	**10**	10
Audit of the subsidiaries	**54**	18
Total audit fees	**64**	28
Other non-audit services	**10**	11
Total non-audit services	**10**	11
Total fees	**74**	39
Equity settled share based payment (credit)/expense	**136**	(290)
Employer's national insurance charge/(credit) associated with vested share options	**(108)**	69
Depreciation of owned assets	**202**	160
Amortisation of intangible assets	**132**	–
Impairment of intangible assets	**29**	–
Minimum operating lease payments:		
– land and buildings	**69**	94
Research and development expenditure	**1,786**	1,482
Itaconix acquisition expenses	**190**	–
Foreign exchange differences	**627**	65

Administrative expenses are analysed as follows:

7. Staff costs

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

	2016 £'000	2015 £'000
Wages and salaries	**2,319**	1,863
Invoiced by third parties	**15**	15
Post-employment benefits	**84**	74
Equity settled share based payment (release)/expense	**136**	(290)
	2,554	1,662

Details of Directors' fees are included in the Directors' Remuneration Report in section B3.

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

	2016 No.	2015 No.
Executive Directors	**2**	2
Non-executive Directors	**5**	5
Research and development	**25**	19
Finance and administration	**3**	2
Sales	**3**	–
Production	**1**	–
Contract staff	**2**	3
	41	31

Itaconix plc had no employees other than the Directors.

8. Finance income

	2016 £'000	2015 £'000
Interest receivable on bank deposits	**51**	88

9. Taxation

	2016 £'000	2015 £'000
Corporation tax credits		
Prior years' corporation tax credits	**31**	1,343
Current year corporation tax credits	**500**	450
UK corporation tax credits	**531**	1,793

During the year ended 31 December 2016, the Group had a taxation credit of £531k (2015: £1,793k) £500k of which relates to R&D tax credits estimated to be claimable on qualifying expenditure for the year ended 31 December 2016. The amount of R&D tax credits actually received in the year of £481k relates to submitted R&D tax claims for the year ended 31 December 2015 and the amount to be received of £500k relates to the R&D tax claim to be submitted for the year ended 31 December 2016. In 2015 the amount of R&D tax credits actually received in the year of £1,343k relates to submitted R&D tax claims for the three years ended 31 December 2014 and the amount to be received of £450k relates to the R&D tax claim to be submitted for the year ended 31 December 2015.

Total tax on loss on ordinary activities

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

	2016	2015
	£'000	£'000
Loss before tax from continuing operations	(5,639)	(2,522)
Loss before tax from discontinued operations	(608)	(1,063)
Loss before tax relief	(6,247)	(3,585)
Loss on ordinary activities multiplied by standard UK corporation tax rate of 20% (2015: 20.25%)	(1,249)	(726)
Effects of:		
Disallowed expenses & non-taxable income	(324)	(444)
Capital allowances in excess of depreciation	1	(14)
Adjustments in respect of prior periods	(31)	(1,343)
Other timing differences	29	1
Surrender of tax losses for R&D tax credit	739	711
Movement in deferred tax not recognised	804	472
Current year R&D tax credit	(500)	(450)
Total tax credit for the year	(531)	(1,793)

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

Deferred tax

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

	2016	2015
	£'000	£'000
Accelerated capital allowances	(21)	(31)
Tax losses carried forward	5,199	5,431
Share based payments	214	692
	5,392	6,092

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.

The Group has the following net deferred tax liability which is recognised:

	2016	2015
	£'000	£'000
As at 1 January	–	–
Acquired Intellectual property	(1,458)	–
As at 31 December	(1,458)	–

This liability arises on the valuation of intangible assets recognised on consolidation of Itaconix Corporation.

Tax rate changes

Deferred tax has been calculated at the rate substantially enacted as at 31 December 2016, being 17% (2015: 20%). The deferred tax liability relating to the US intangibles acquired during the year has been calculated using the US company tax rate substantially enacted as at 31 December 2016, being 40%.

10. Discontinued operations

On 16 September 2016, the Group announced that it had entered into agreements for the divestment of the nicotine gum business to Alkalon A/S, a Danish company, with completion subject to the satisfaction of certain conditions precedent including the transfer of key customer contracts and product licences to Alkalon. Completion occurred on 31 October 2016.

The results of the Nicotine Gum segment for the year are presented below:

	2016 **£'000**	2015 £'000
Revenue	**1,127**	1,222
Cost of sales	**(948)**	(1,162)
Gross profit	**179**	60
Administrative expenses	**(787)**	(1,123)
Impairment loss recognised on the re-measurement to fair value less costs to sell	**–**	–
(Loss) before tax from discontinued operations	**(608)**	(1,063)
Tax benefit: Related to current pre-tax loss	**–**	–
Tax benefit: Related to re-measurement to fair value less costs to sell (deferred tax)	**–**	–
(Loss) for the year from discontinued operations	**(608)**	(1,063)

Administrative expenses are stated after charging:

Depreciation	**(8)**	(10)

The net cash flows incurred by the Nicotine Gum segment are, as follows:

	2016 **£'000**	2015 £'000
Operating	**(1,250)**	(1,010)
Investing	**–**	–
Financing	**–**	–
Net cash outflow	**(1,250)**	(1,010)

Earnings per share:

	2016	2015
Basic loss for the year from discontinued operations	**(0.9p)**	(1.9p)
Diluted loss for the year from discontinued operations	**(0.9p)**	(1.9p)

11. Loss per share

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

Loss	**Continuing operations 2016 £'000**	**Discontinued operations 2016 £'000**	**Total 2016 £'000**	Continuing operations 2015 £'000	Discontinued operations 2015 £'000	Total 2015 £'000
Loss for the purposes of basic and diluted loss per share (£'000)	**5,108**	**608**	**5,716**	729	1,063	1,792
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share ('000)	**69,738**	**69,738**	**69,738**	56,603	56,603	56,603
Basic and diluted loss per share	**7.3p**	**0.9p**	**8.2p**	1.3p	1.9p	3.2p

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 2016 are identical to those used for the basic earnings per share. This is because the outstanding share options (Note 26) would have the effect of reducing the loss per ordinary share and would therefore not be dilutive.

12. Investment in subsidiary undertakings

	Company £'000
At 1 January 2015	567
Share based payments	(290)
At 31 December 2015	277
Share based payments	136
Increase in investment in Itaconix (UK) Limited	5,665
At 31 December 2016	6,078

Name	**Principal activity**	**Place of incorporation and operation**	**Proportion of ownership interest**
Direct investments:			
Itaconix (U.K.) Limited(1)	UK operating company	England	100%
Revolymer EBT Limited(1)	Trustee of Revolymer employee benefit trust	England	100%
Indirect investments:			
Revolymer (U.S.) Inc. (Itaconix Corporation from 20 June 2016)(2)	Trading US subsidiary of Revolymer (U.K.) Ltd	USA	100%

(1) The registered address is 1 Newtech Square, Zone 2, Deeside Industrial Park, Deeside, Flintshire, CH5 2NT, UK

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

13. Investment in associate undertakings

The Group acquired a 15% equity interest in Alkalon on 31 October 2016. Alkalon is a Danish speciality pharma company focused on developing and commercialising medicated chewing gum formulations. It is a private entity not listed on any public exchange and there is only one share class in issue (ordinary shares) so that all shareholders hold the same class of share with the same rights attached (i.e. there are no restrictions specific to the Group's holding). The Group's interest in Alkalon is accounted for using the equity method in the consolidated financial statements. The acquisition is considered to be a long term investment. The fair value of the investment at the period end was arrived at as described below.

	£'000
Assets transferred to Alkalon at completion on 31 October 2016	
Plant and machinery	26
Inventory	637
Value of investment at 31 October 2016	663
Share of loss of equity-accounted investees, net of tax	(2)
	661
Loss on foreign exchange	(10)
Value of Alkalon investment before impairment at 31 December 2016	651
Impairment of investment	(506)
Fair value of Alkalon investment at 31 December 2016	145

At completion, independent Danish accountants made a judgement on the value of the investment at DKK8.178m (£987k), as announced by the Company at the time in accordance with relevant regulatory requirements. Itaconix management understands this valuation was based on the delivery of a business plan written by Alkalon management.

At 31 October 2016 Itaconix management valued the investment at the value of the assets actually transferred to Alkalon, and then reviewed this value for impairment as at 31 December 2016. The conclusion of this review was that, based on developments after, and information received after, 31 October 2016 (through participation in Alkalon board meetings), risks associated with the delivery of the Alkalon business plan exist that are not reflected in the DKK8.178m valuation, primarily relating to the probable extent of delivery of the business plan. Therefore an impairment was triggered subsequent to the acquisition.

To measure the impairment, management adopted a risk adjusted discounted cash flow approach to valuing the Alkalon business. This involved projecting and discounting cash flows for upside, base and downside cases reflecting varying extents of delivery of the Alkalon business plan, and then applying to the NPV for each case an estimated probability of occurrence, the sum of which provides a weighted valuation. From this was subtracted the existing net debt to derive an estimated overall market value.

The key assumptions were: a discount rate of 10%, valuation of 10 years of cash flows with no terminal value (to reflect management's conservative approach) and use of the Alkalon business plan out to 2020, with no further growth assumed 2021 to 2026. Interest on the debt was per management's understanding of the agreement with Alkalon's bank.

The impairment calculated of £506k was charged to share of loss of equity-accounted investees, net of tax.

Name	Principal activity	Place of incorporation and operation	Proportion of ownership interest
Alkalon A/S (from 31 October 2016)	Trading Danish associate of Itaconix (U.K.) Ltd	Denmark	15%

The following table summarises financial information relating to Alkalon for the 2016 financial year and shows the Group's share of the loss for the two months since the Group acquired its shareholding:

	2016 £'000
Intangible fixed assets	528
Tangible fixed assets	60
Current assets	2,640
Current liabilities	(1,771)
Equity	1,457

	2016 £'000
Revenue	3,826
Cost of sales	(2,983)
Administration expenses	(871)
Finance income	1
Finance costs	(60)
Loss before tax	(87)
Income tax expense	–
Loss for the year (continuing operations)	(87)
Total comprehensive loss for the year	(87)
Group's share of loss for the year	(2)

The Group's share of the loss for the year is based on a pro rata amount since acquisition.

The associate had no contingent liabilities or commitments as at 31 December 2016.

14. Intangible assets

Group	Goodwill £'000	Customer Relationships £'000	Intellectual Property £'000	Total £'000
Cost				
At 1 January 2015	–	–	–	–
Additions	–	–	–	–
Disposals	–	–	–	–
At 1 January 2016	–	–	–	–
Acquisitions through business combinations	5,662	29	3,031	8,722
Foreign exchange movements	991	–	578	1,569
At 31 December 2016	**6,653**	**29**	**3,609**	**10,291**
Amortisation and impairment				
At 1 January 2015	–	–	–	–
Amortisation for the year	–	–	–	–
Impairment charge	–	–	–	–
At 1 January 2016	–	–	–	–
Amortisation for the year	–	–	132	132
Impairment charge	–	29	–	29
Foreign exchange movements	–	–	6	6
At 31 December 2016	**–**	**29**	**138**	**167**
Net book value				
At 31 December 2016	**6,653**	**–**	**3,471**	**10,124**
At 31 December 2015	–	–	–	–

Since the acquisition of Itaconix Corporation occurred in the middle of the year, the intangible assets acquired are required to be amortised or reviewed for impairment at the period end (and at least annually thereafter). The intangible assets identified out of the purchase price allocation process were intellectual property and customer relationships, and the balance required to reconcile from the value of the net tangible assets to the fair value of the purchase price was goodwill.

Intellectual property arising from the acquisition of Itaconix Corporation has been amortised over a useful life of 13 years, based on the estimated life of the overall intellectual property portfolio acquired.

Management conducted an impairment review of the customer relationships. On review, management noted that the lack of customer contracts could theoretically result in such relationships being terminated at short notice and so elected to impair them to nil. It was also noted that the initial value of these assets was immaterial.

With respect to reviewing goodwill for impairment, management adopted a discounted cash flow approach to valuing the relevant cash generating unit (CGU). The Board approved strategic plan is the current medium term performance target for the Group covering the four financial years 2017 to 2020, and so was used as the source of cash flows for the CGU. For the years beyond 2020 a terminal value was included based on a 2% growth rate, which management believes is appropriate for the specialty chemicals industry. A discount rate of 12.4% was used to discount the cash flows.

Using this approach a net present value exceeding the fair value of the consideration was arrived at. Sensitivity analysis was also performed by varying the discount rate used and the extent to which the strategic plan was delivered, as summarised below:

- Discount rate – the discount rate could increase to 13.5% before impairment is required
- Delivery of strategic plan – the delivery of the plan could reduce to 88% of forecast before impairment is required

Based on the analysis and sensitivity analysis performed, management concluded that there was no need to impair the value of goodwill. However, it was noted that there was limited headroom before impairment would be necessary and so the matter will be kept under close review.

Acquisitions

On 20 June 2016, the Group acquired 100% of the voting rights of Itaconix Corporation, an unlisted company incorporated in the United Stated of America. Itaconix Corporation is a specialty polymer company that develops and commercialises polymers based on its proprietary itaconic acid polymerisation technology. The Group acquired Itaconix Corporation as its product offerings are complementary to Itaconix Plc's own product lines, with differentiated functionality and high customer value in the Group's target markets.

Assets acquired and liabilities assumed

The fair value of the identifiable assets and liabilities of Itaconix Corporation as at the date of acquisition were:

	Provisional $'000	Provisional £'000
Fair value of consideration		
Cash consideration	3,000	2,043
Itaconix Plc shares (6,305,050 shares @ 44.38p)	4,000	2,798
	7,000	4,841
Deferred consideration		
Itaconix Plc shares at fair value	4,210	2,867
	11,210	7,708
Fair value of assets and liabilities acquired		
Non-current assets		
Property, plant and equipment	266	181
Intangible Fixed Assets		
Customer Relationships acquired	42	29
Intellectual Property acquired	4,451	3,031
	4,493	3,060
Current assets		
Inventories	220	150
Accounts receivable	68	46
Other current assets	88	60
Cash	1	1
	377	257
Current liabilities		
Trade and other payables	(333)	(228)
Non-current liabilities		
Deferred tax liability	(1,798)	(1,224)
Net assets acquired	3,005	2,046
Goodwill arising (consideration less net assets acquired)	8,205	5,662

The deferred tax liability comprises the tax effect of the accelerated depreciation for tax purposes of the assets acquired.

The goodwill on acquisition of £5,662k comprises the value of expected synergies arising from the acquisition and is allocated entirely to the US operations CGU.

D2. Notes to financial statements (continued)

For the year ended 31 December 2016

The Group issued 6,305,050 ordinary shares of nominal value 1p each as consideration for a 100% interest in Itaconix Corporation. The fair value of the shares is calculated with reference to the quoted price of the shares of the Company at the date of acquisition, which was 44.38p per share. The fair value of the consideration was therefore £2,798k. Transaction costs of £190k were expensed and are included in administrative expenses. The cost of issuance of the shares to Itaconix Corporation shareholders was £52k, charged to the retained earnings.

As part of the purchase agreement with the previous owners of Itaconix Corporation, a contingent consideration has been agreed. This deferred performance related consideration will be payable to the Itaconix Corporation shareholders, subject to the achievement of certain growth targets 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. The deferred performance related consideration is capped at $6m in aggregate. Such deferred performance consideration, if any, will be satisfied annually entirely in ordinary shares of Itaconix plc.

At the reporting date the deferred consideration was measured as £3,414k. In order to value the deferred performance related consideration, management made judgements about the likelihood of it being paid, and the phasing of such payments. To inform this judgement reference was made to the following significant unobservable valuation inputs:

- the Board approved medium term strategic plan for the Group which forecasted relevant product annual net sales and therefore allowed a profile of future deferred consideration payments to be estimated
- this payment profile was then discounted at an appropriate rate (12.4%) to derive a net present value that was used as the basis for the fair value of the deferred consideration.

As at 31 December 2016, management has assumed that the medium term strategic plan will be achieved and the full $6m will be payable, settled in Itaconix plc ordinary shares. This is reflected as a non-current liability in the Group balance sheet after discounting to reflect risk and the time value of money.

Future developments may require revisions to the estimate. A significant decrease in the net sales or a significant increase in the discount rate and non-performance risk would result in a lower fair value of the contingent consideration liability. A 1% increase in the discount rate would reduced the deferred consideration by £136k as at 31 December 2016.

The total amount of goodwill expected to be deductable for tax purposes is nil.

From the date of acquisition, Itaconix Corporation contributed £285k of revenue and £852k of losses from continuing operations to the Group. The amount of revenue of the subsidiary for the 2016 financial year assuming the acquisition had taken place at the start of the accounting period was £510k and the loss for the same period was £1,274k.

15. Property, plant and equipment

Group	Computer and office equipment £'000	Plant and equipment £'000	Short Leasehold equipment £'000	Total £'000
Cost				
At 1 January 2015	214	1,073	271	1,558
Additions	9	187	–	196
Disposals	(50)	–	–	(50)
At 1 January 2016	173	1,260	271	1,704
Additions	26	469	23	518
Acquired through subsidiary	12	104	65	181
Disposals of assets to associate	–	(131)	–	(131)
At 31 December 2016	**211**	**1,702**	**359**	**2,272**
Accumulated depreciation				
At 1 January 2015	191	882	171	1,244
Charge	16	91	63	170
Eliminated on disposal	(50)	–	–	(50)
At 1 January 2016	157	973	234	1,364
Charge	14	152	44	210
Eliminated on disposal of assets to associate	–	(105)	–	(105)
At 31 December 2016	**171**	**1,020**	**278**	**1,469**
Carrying amount				
At 31 December 2016	**40**	**682**	**81**	**803**
At 31 December 2015	16	287	37	340

Included within Plant and equipment and Short leasehold equipment are amounts held under finance lease contracts. At 31 December 2016 the net book value of these assets was £Nil (2015: £ Nil).

16. Inventories

Group	**2016 £'000**	2015 £'000
Raw materials	**46**	70
Work in progress	**–**	14
Finished goods	**164**	100
Goods in transit	**–**	–
Provisions	**–**	(20)
	210	164

17. Trade and other receivables

	Group		Company	
	2016	2015	**2016**	2015
	£'000	£'000	**£'000**	£'000
Current assets				
Trade receivables	**65**	318	**–**	–
Amounts due from associate	**17**	–	**–**	–
Amounts owed by Group companies	**–**	–	**–**	–
Other receivables	**753**	699	**78**	43
	835	1,017	**78**	43

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

As at 31 December 2016, a provision of £nil (2015 – £25k) has been made to trade receivables that were considered to be impaired.

The Company loss for the year includes a fair value impairment of group indebtedness of £4,761k (2015: £4,421k).

As at 31 December 2016 the balance of the fair value of impaired debt from Group undertakings was £20,104k (2015: £15,343k).

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

Group	**Total £'000**	**Neither past due nor impaired £'000**	**<30 days £'000**	**30–60 days £'000**	**60–90 days £'000**	**90–120 days £'000**	**>120 days £'000**
2016	65	–	39	26	–	–	–
2015	318	–	232	86	–	–	–

The fair value of amounts owing from Group companies to the Company has been impaired to the extent the subsidiary (ie Itaconix (U.K) Limited) is, at the balance sheet date, both illiquid and not yet generating positive cash flows, or otherwise unlikely to repay such indebtedness.

	Group		Company	
	2016	2015	**2016**	2015
	£'000	£'000	**£'000**	£'000
Non-current assets				
Amounts owed by Group companies	**–**	–	**3,446**	–
	–	–	**3,446**	–

18. Investments

	Group		Company	
	2016	2015	**2016**	2015
	£'000	£'000	**£'000**	£'000
Term deposits maturing within one year	**–**	7,000	**–**	7,000

19. 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	
	2016	2015	**2016**	2015
	£'000	£'000	**£'000**	£'000
Cash at bank and in hand	**8,789**	3,514	**4,424**	228

Credit, liquidity and market risk

The Group's principal financial assets are bank balances and cash and term deposits regarded as investments that mature within one year. These deposits carry fixed rates of interest for their term. 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.

20. Trade and other payables

	Group		Company	
	2016	2015	**2016**	2015
	£'000	£'000	**£'000**	£'000
Current liabilities				
Trade payables	**412**	346	**27**	8
Amounts due to associate	**20**	–	**–**	–
Other payables and deferred revenue	**1,148**	1,365	**20**	85
	1,580	1,711	**47**	93

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

21. Provisions

	Contingent consideration			
	Group		Company	
	2016	2015	**2016**	2015
	£'000	£'000	**£'000**	£'000
As at 1 January	**–**	–	**–**	–
Arising during the year	**3,414**	–	**3,414**	–
As at 31 December	**3,414**	–	**3,414**	–
Current	**–**	–	**–**	–
Non-current	**3,414**	–	**3,414**	–

The contingent consideration relates to the fair value of the $6 million of deferred consideration payable to the former owners of Itaconix Corporation as part of the acquisition price. This consideration is payable in new ordinary shares in Itaconix Plc, subject to the satisfaction of certain business performance criteria in the period 2017 to 2020 inclusive. Management currently believes that all of the consideration will become payable, but it has been discounted to reflect its risk and payment profile in future periods. See Note 14 for further details.

22. Financial instruments

Financial risk management objectives and policies

The Group currently finances its operations by raising finance through equity. No speculative treasury transactions and no derivatives are entered into. Financial assets and liabilities include those assets and liabilities of a financial nature, namely cash, receivables and payables.

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 CAD and USD, whilst the majority of its cost base is in GBP. These receipts are currently relatively small and tend to be used first to cover costs in the same currency before conversion to GBP, and so currency risk impacting cash balances is deemed to be appropriately managed. However, the acquisition of US-based Itaconix Corporation in the middle of the year means that this risk profile has changed and will be kept under close review accordingly. Specifically, a loan from Itaconix plc to Itaconix Corporation to fund the US operations is denominated in USD and so is re-translated to GBP 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. Further, the deferred consideration payable to the former shareholders of Itaconix Corporation is denominated in USD and, as well as being revalued based on likelihood of payment, is retranslated to GBP each period end, potentially resulting in significant non cash debits or credits to the Company and Group's profit and loss. Management notes that such foreign exchange movements are non cash items. No forward foreign exchange contracts were entered into during the period (2015: Nil). At 31 December 2016 the bank balances on hand of foreign currencies were:

Currency	**2016**	2015
USD	**124,059**	43,653
CAD	**490,103**	771,818
EUR	**23,862**	336,084

The foreign currency balances are in aggregate smaller than at the end of 2015, which is due in part to the divestment of the nicotine gum business. 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, in the light of the acquisition of a US-based Itaconix Corporation.

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.

At 31 December 2016:

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	–	1,276	304	–	–	1,580
Finance lease obligations	–	–	–	–	–	–
	–	1,276	304	–	–	1,580

At 31 December 2015:

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	–	1,618	93	–	–	1,711
Finance lease obligations	–	–	–	–	–	–
	–	1,618	93	–	–	1,711

All of the trade and other payables balances (£47k) of the Company are due for payment in less than three months (2015: £93k less than three months)

Capital management

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value. To manage its capital structure the Company may issue new shares. No changes were made in the objectives, policies or processes during the periods ended 31 December 2016 and 31 December 2015.

Interest rates and maturity profiles of financial assets and liabilities

The interest rates and maturity profiles of the Group's financial assets and liabilities, after the effect of derivatives is as follows:

At 31 December 2016:

	Within 1year £'000	1-2 Years £'000	2-3 Years £'000	3 to 4 Years £'000	4 to 5 Years £'000	Over 5 Years £'000	Total £'000
Group							
Investments	–	–	–	–	–	–	–
Cash and cash equivalents	8,789	–	–	–	–	–	8,789
	8,789	–	–	–	–	–	8,789
Company							
Investments	–	–	–	–	–	–	–
Cash and cash equivalents	4,424	–	–	–	–	–	4,424
	4,424	–	–	–	–	–	4,424

The range of interest rates applicable to instant access deposit accounts and term deposits at 31 December 2016 was 0.25% to 1.00% per annum (2015: 0.25% to 1.00%).

At 31 December 2015:

	Within 1 year £'000	1-2 Years £'000	2-3 Years £'000	3 to 4 Years £'000	4 to 5 Years £'000	Over 5 Years £'000	Total £'000
Group							
Investments	7,000	–	–	–	–	–	7,000
Cash and cash equivalents	3,514	–	–	–	–	–	3,514
	10,514	–	–	–	–	–	10,514
Company							
Investments	7,000	–	–	–	–	–	7,000
Cash and cash equivalents	228	–	–	–	–	–	228
	7,228	–	–	–	–	–	7,228

Committed facilities

The Group has no floating rate committed borrowing facilities as at 31 December 2016 (2015: 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.

23. Commitments

Operating lease arrangements

The Group leases certain assets on an operating lease basis. At the balance sheet date, the Group and Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Group		Company	
	2016 £'000	2015 £'000	**2016 £'000**	2015 £'000
Within one year	**87**	53	**–**	–
In two to five years	**300**	4	**–**	–
Over five years	**–**	–	**–**	–
Total future minimum lease payments	**387**	57	**–**	–

Other commitments

At 31 December 2016, the Group had capital commitments of £468k (2015: £nil) relating to the cost of completion of a new manufacturing facility in the USA.

24. Share capital

	Group £'000	Company £'000
At 1 January 2015 (56,561,140 shares in issue)	566	566
Issued as a result of an exercise of options		
01/09/15-3,000, 07/10/15-44,000	1	1
09/10/15-3,000, 21/10/15-16,500, 27/11/15-3,000		
New share issued		
08/05/15-36,036		
At 31 December 2015 (56,666,676 shares in issue)	567	567
Issued as a result of an exercise of options		
25/02/16-3,000, 30/03/16-3,000	–	–
New share issued		
20/06/16-6,305,050		
11/07/16 -15,680,222	220	220
At 31 December 2016 (78,657,948 shares in issue)	787	787

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

On the 20 June 2016 the Company issued 6,305,050 ordinary shares with a nominal value of 1p per share for 44.38p per share as part of the consideration for the acquisition of Itaconix Inc (see Note 14).

On the 11 July 2016, the Company issued 15,680,222 ordinary shares with a nominal value of 1p per share for 37p per share. The consideration was received in cash.

25. Notes to the statements of cash flow

	Group		Company	
	2016 £'000	2015 £'000	**2016 £'000**	2015 £'000
Operating loss	**(5,182)**	(2,610)	**(5,416)**	(4,751)
Depreciation of property, plant and equipment	**202**	160	**–**	–
Amortisation and impairment	**161**	–	**–**	–
Impairment of group indebtedness	**–**	–	**4,761**	4,830
Loss on foreign exchange	**627**	–	**124**	–
Share based payments/(credits) charge	**136**	(290)	**–**	–
Taxation	**481**	1,343	**–**	–
Operating cash flows before movements in working capital	**(3,575)**	(1,397)	**(531)**	79
Decrease/(increase) in inventories	**(60)**	–	**–**	–
(Increase)/decrease in receivables	**339**	(90)	**(4)**	(1)
(Decrease)/increase in payables	**(182)**	(104)	**(46)**	13
Net cash (outflow)/inflow from continuing operating activities	**(3,478)**	(1,591)	**(581)**	91

26. 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 2016 is £136k (2015: a credit of £290k) as disclosed in note 6.

During the year to 31 December 2016 3,317,997 share options (2015: 1,810,992) were granted under the Itaconix LTIP scheme as either approved options (under the HMRC approved EMI scheme) or unapproved options. The management team received nil cost share options (either HMRC approved or unapproved) with market facing performance conditions required for vesting ("Management Options"). The fair value of Management Options as at the date of grant was therefore estimated using a Monte Carlo simulation model. The remaining employees received share options under the EMI scheme without market facing performance conditions (and with an exercise price of the market price as at the date of grant of £0.34) ("Employee Options"). Accordingly the fair value of the Employee Options was estimated as at the date of grant using a Black Scholes model. Both models took into account the terms and conditions upon which the options were granted using the following assumptions.

Grant date	**Unapproved Management Options**	**EMI Management Options**	**EMI Employee EMI**
2016 Option Grant			
Number of options granted	**1,991,911**	**512,941**	**813,145**
Exercise price	**£nil**	**£nil**	**£0.340**
Expected volatility	**30.8%**	**30.8%**	**30.8%**
Risk free rate	**0.2%**	**0.2%**	**0.2%**
Expected dividend yield	**0%**	**0%**	**0%**
Expected option life	**31 months**	**31 months**	**31 months**
2015 Option Grant			
Number of options granted	751,173	599,819	460,000
Exercise price	£nil	£nil	£0.555
Expected volatility	26.8%	26.8%	26.8%
Risk free rate	1.3%	1.3%	1.3%
Expected dividend yield	0%	0%	0%
Expected option life	3 years	3 years	3 years

The Employee Options have a vesting period of 31 months with no performance criteria. The vesting period of the Management Options is also 31 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 30 April 2019 of grant is £0.57. Between weighted average ordinary share prices of £0.57 and £0.76, vesting shall be pro-rata and on a straight line basis between 50% and 100%. Below £0.57 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 2016. The charge for share based payments for the period to 31 December 2016 is accordingly £136k (31 December 2015 credit of £290k).

Employee share option plan – unvested options

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

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

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

Unvested	2016 Number of shares	2016 WAEP	2015 Number of shares	2015 WAEP
Balance at beginning of year	**1,798,502**	**£0.30**	844,783	£0.48
Awarded during year	**1,326,086**	**£0.21**	1,059,819	£0.19
Lapsed during the year	**(176,700)**	**£0.60**	(106,100)	£0.57
Unvested options at end of year	**2,947,888**	**£0.24**	1,798,502	£0.30

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	2016 Number of shares	2016 WAEP	2015 Number of shares	2015 WAEP
Balance at beginning of year	**2,070,298**	**£nil**	1,319,125	£nil
Awarded during year	**1,991,911**	**£nil**	751,173	£nil
Unvested options at end of year	**4,062,209**	**£nil**	2,070,298	£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	2016 Number of shares	2016 WAEP	2015 Number of shares	2015 WAEP
Balance at beginning of year	**6,045,280**	**£0.14**	4,430,888	£0.16
Awarded during the year	**3,317,997**	**£0.09**	1,810,992	£0.11
Lapsed during the year	**(969,657)**	**£0.11**	(106,100)	£0.57
Exercised during the year	**(6,000)**	**£0.26**	(90,500)	£0.19
Balance at end of year	**8,387,620**	**£0.12**	6,045,280	£0.14

27. Related party transactions

Transactions with key management personnel

Remuneration of key management personnel

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

	2016 **£'000**	2015 £'000
Salaries and other short-term employee benefits	**783**	860
Post-employment benefits	**42**	40
Directors' fees invoiced by third parties	**15**	15
Equity settled share based payment (credit)/expense	**–**	(278)
	890	637

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.

The Group invoiced Alkalon for the services of its employee Jonathan Swanston, who assisted in the transfer of the nicotine business to Alkalon. The Group also acted as an agent for Alkalon in its conduct of the nicotine gum business following completion of the divestment, pending the novation and assignment of key nicotine gum contracts in favour of Alkalon. Alkalon is an associate company of the Group.

2016	**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	–	15	4	–
Alkalon A/S	34	–	–	17

2015	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	–	15	4	–

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.

28. Contingent asset

Under the terms of the divestment of the nicotine gum business to Alkalon, the Group will be entitled to an additional 5% shareholding in the combined business that resulted from the transaction if a certain commercial contract is awarded to Alkalon within 9 months of completion of the divestment, i.e. before the start of August 2017. No asset has been recognised in respect of this matter.

29. Contingent liability

In connection with the divestment of the nicotine gum business, at the time of publication of this annual report: (i) the Canadian nicotine gum product licences have been transferred to Alkalon; (ii) the Canadian nicotine gum customers have new direct contracts with Alkalon; (iii) Itaconix (U.K.) Ltd has served notice of termination on the Canadian customers (but it will not be effective until August 2017); and (iv) the Group's nicotine gum contract manufacturing agreement has not yet been transferred or novated in favour of Alkalon. Therefore there is limited risk associated with the incomplete transfer of these commercial relationships, notwithstanding that transaction completion has occurred and Alkalon has provided the Group with appropriate contractual indemnities. If Alkalon was insolvent and unable to pay Itaconix, Itaconix would still be liable to the contract manufacturer under the yet to be novated agreement for payment for product supplies. Additionally, since Itaconix is required to give 6 months notice of termination to the Canadian customers (actually served in February 2017) there is a limited risk that such customers place orders on Itaconix before termination is effective in August 2017 which it cannot honour as it is no longer the product licence holder, notwithstanding the agreements the Canadian customers have directly with Alkalon.

E. Appendices to the annual report

ITACONIX PLC

(incorporated and registered in England and Wales under the Companies Act 2006 with registered number 08024489)

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Revolymer plc (the "**Company**") will be held at the offices of Fieldfisher LLP, Riverbank House, 2 Swan Lane, London EC4R 3TT on 25 May 2017 at 11.00 a.m. (the "AGM") to consider and, if thought fit, to pass the following resolutions, of which resolutions 1 to 11 will be proposed as ordinary resolutions of the Company and resolution 12 will be proposed as a special resolution of the Company.

1. To receive and consider the Company's Annual Report and Financial Statements for the year to 31 December 2016 (excluding the Directors' Remuneration Report).

2. To receive and adopt the Directors' Remuneration Report (other than the Directors' remuneration policy approved at the 2014 Annual General Meeting) contained in the Annual Report and Financial Statements for the year to 31 December 2016.

3. To re-elect Kevin Matthews as an Executive Director.

4. To re-elect Robin Cridland as an Executive Director.

5. To re-elect Bryan Dobson as a Non-executive Director.

6. To re-elect Julian Heslop as a Non-executive Director.

7. To re-elect Michael Townend as a Non-executive Director.

8. To elect Jim Barber as a Non-executive Director.

9. To re-appoint Ernst & Young LLP of 100 Barbirolli Square, Manchester M2 3EY as auditors of the Company to hold office from the conclusion of the AGM to the conclusion of the next AGM at which accounts are laid before the Company.

10. To authorise the Directors to determine the remuneration of the auditors.

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

    (a) allot shares in the Company and to grant rights to subscribe for or to convert any security into such shares (all of which transactions are hereafter referred as an allotment of "Relevant Securities") up to an aggregate nominal amount of £262,393; and

    (b) allot Relevant Securities up to an aggregate nominal amount of £262,393 in connection with a rights issue, open offer, scrip dividend scheme or other pre emptive offer which satisfies the conditions and may be subject to all or any of the exclusions specified in paragraph (b)(1) of the next following resolution,

    In each case for a period expiring (unless previously renewed, varied or revoked by the Company in general meeting) at midnight on the date falling 15 months after the date of the passing of this resolution or at the conclusion of the next AGM of the Company following the passing of this resolution, whichever occurs sooner, provided that the Company may before such expiry, variation or revocation make an offer or agreement which would or might require such Relevant Securities

    To be allotted after such expiry, variation or revocation and the Directors may allot Relevant Securities pursuant to such an offer or agreement as if the authority conferred hereby had not expired or been varied or revoked.

12. THAT, subject to and conditional upon the passing of resolution 11, the Directors be and they are hereby empowered pursuant to section 570 of the 2006 Act to allot equity securities (within the meaning of section 560 of the 2006 Act) for cash pursuant to the authority conferred by resolution 11 as if section 561(1) of the 2006 Act did not apply to any such allotment, provided that such power:

    (a) shall, subject to the continuance of the authority conferred by resolution 11, expire at midnight on the date falling 15 months after the date of the passing of this resolution or at the conclusion of the next AGM of the Company following the passing of this resolution, whichever occurs sooner, but may be previously revoked or varied from time to time by special resolution but so that the Company may before such expiry, revocation or variation make an offer or agreement which would or might require equity securities to be allotted after such expiry, revocation or variation and the Directors may allot equity securities in pursuance of such offer or agreement as if such power had not expired or been revoked or varied; and

    (b) shall be limited to:

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

        (2) the allotment of equity securities for cash otherwise than pursuant to sub paragraph (b) (1) up to an aggregate maximum nominal amount of £78,718.

By order of the Board

Robin Cridland
Company Secretary
3 April 2017

Notes

1. A shareholder entitled to attend and vote at the meeting is also entitled to appoint one or more proxies to attend, speak and vote instead of him or her. The proxy need not be a member of the Company. Where a shareholder appoints more than one proxy, each proxy must be appointed in respect of different shares comprised in his or her shareholding which must be identified on the proxy form. Each such proxy will have the right to vote on a poll in respect of the number of votes attaching to the number of shares in respect of which the proxy has been appointed but such proxies will only be entitled to one vote between them on a show of hands. The proxy who is to exercise the one vote on a show of hands must be identified on the appropriate proxy form. Where more than one joint shareholder purports to appoint a proxy in respect of the same shares, only the appointment by the most senior shareholder will be accepted as determined by the order in which their names appear in the Company's Register of Members. If you wish your proxy to speak at the meeting, you should appoint a proxy other than the Chairman of the meeting and give your instructions to that proxy.

2. To be effective an instrument appointing a proxy and any authority under which it is executed (or a notarially certified copy of such authority) must be deposited at the offices of Capita Asset Services, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU so as to be received no later than 11.00 a.m. on 23 May 2017 except that: (a) should the meeting be adjourned, such deposit may be made not later than 48 hours before the time of the adjourned meeting; and (b) in the case of a poll taken more than 48 hours after it was demanded, such deposit may be made not later than 24 hours before the time appointed for the taking of the poll.

3. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so by utilising the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a CREST Proxy Instruction) must be properly authenticated in accordance with Euroclear UK & Ireland Limited's ("**EUI**") specifications and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it relates to the appointment of a proxy or to an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA10) by the latest time(s) for receipt of the proxy appointments specified in the notice of meeting. For this purpose, the time of receipt will be taken by the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001. CREST members and, where applicable, their CREST sponsors or voting service providers, should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by a particular time. In this connection, CREST members and, where applicable, their CREST sponsor or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

4. Any corporation which is a member can authorise one or more person(s) to act as its representative(s) at the meeting.

5. An abstention (or "vote withheld") option has been included on the Form of Proxy. The legal effect of choosing the abstention option on any resolution is that the shareholder concerned will be treated as not having voted on the relevant resolution. The number of votes in respect of which there are abstentions, will however, be counted and recorded, but disregarded in calculating the number of votes for or against each resolution.

6. In accordance with Regulation 41 of the Uncertified Securities Regulations 2001, the Company specifies that only those shareholders registered in the register of members of the Company as at close of business on 23 May 2017 or, in the event that the meeting is adjourned, in such register not later than 48 hours before the time of the adjourned meeting, shall be entitled to attend, or vote (whether in person or by proxy) at the meeting in respect of the number of shares registered in their names at the relevant time. Changes after the relevant time will be disregarded in determining the rights of any person to attend or vote at the meeting.

7. If you are a person who has been nominated under section 146 of the 2006 Act to enjoy information rights, you may have a right, under an agreement between you and the shareholder who has nominated you, to be appointed or to have someone else appointed for you as a proxy for the meeting. If you do not have such a right, or you do have such a right but do not wish to exercise it, you may have a right under such an agreement to give instructions to the shareholder who nominated you as to the exercise of the voting rights attached to the ordinary shares in respect of which you have been nominated.

8. As at 3 April 2017, being the last practicable date before the publication of this notice, the Company's issued share capital consists of 78,717,948 ordinary shares, carrying one vote each, of No shares are held as treasury shares and therefore the total number of votes at such date is 78,717,948.

9. Copies of Directors’ service contracts and letters of appointment will be available for inspection for at least 15 minutes prior to the meeting and during the meeting.

10. If you have any queries about the meeting, please contact the Company’s registrars, Capita Asset Services, on telephone number 0871 664 0300 (calls cost approximately 10p per minute plus network extras) from within the UK or on +44 208 639 3399 if calling from outside the UK. Calls to the helpline from outside the UK will be charged at the applicable international rate. Different charges may apply to calls from mobile telephones. Lines are open 8.30 a.m.–5.30 p.m. Mon–Fri. Calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the transaction nor give any financial, legal or tax advice.

Corporate Information

Advisors

Auditors

Ernst & Young LLP
100 Barbirolli Square
Manchester M2 3EY

Solicitors

Fieldfisher LLP
Riverbank House
2 Swan Lane
London EC4R 3TT

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

NOMAD/Broker

N+1 Singer
One Bartholomew Lane
London
EC2N 2AX

Registrar

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

Patent Agent

HGF Limited
Belgrave Hall
Belgrave Street
Leeds LS2 8DD

Bankers

HSBC plc
Vista
St David's Park
Ewloe
Flintshire CH5 3RX

Registered Office & Head Office

1 Newtech Square
Zone 2
Deeside Industrial Park
Deeside
Flintshire
CH5 2NT