REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 30 APRIL 2016

ITM POWER

Energy Storage | Clean Fuel

Opening of HyFive Hydrogen Station in Teddington and largest fuel cell vehicle gathering in UK.

REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 30 APRIL 2016

"Our markets are undoubtedly growing, our products are best in class and we have positioned ourselves at the heart of global efforts to decarbonise fuel and energy.

By the end of 2016, we will own and operate a growing portfolio of Hydrogen Refuelling Stations – ahead of the many launches of FCEVs expected next year. We also have two working Power-to-Gas reference plants in Germany that are already attracting attention from utilities around the world. I am excited about the outlook and, as always, grateful to our talented team for making our successes happen."

Dr Graham Cooley
CEO, ITM Power Plc

SHAPING A RENEWABLE HYDROGEN FUTURE

In a world in which fossil fuel energy is becoming ever more scarce and expensive and countries are struggling to meet their carbon reduction obligations, hydrogen solutions have finally reached the top of energy agendas.

ITM Power manufactures integrated hydrogen energy solutions that are rapid response and high pressure that meet the requirements for grid balancing and energy storage services, and for the production of clean fuel for transport, renewable heat and chemicals. The international demand for these solutions is increasing.

- Energy storage provision has started to become a mandatory requirement in areas of the world such as California; it is recognised as an essential prerequisite for renewable energy deployment
- Grid balancing and rapid response demand-side services are crucial for the integration of high proportions of renewable energy supply on the electricity grid
- Auto OEMs are rolling out Fuel Cell Electric Vehicles (FCEVs) that require a high purity hydrogen fuel. Hyundai and Toyota have now commenced production with Honda to follow in 2016. Hydrogen fuel cell cars are now being sold. Global Hydrogen Refuelling Station infrastructure programmes are underway
- Air quality regulations are stimulating the need for hydrogen as a clean fuel for clean transport emissions, in city regions around the world
- Energy security and fuel security has risen to the top of the geo-political agenda
- Price volatility of fossil fuels is driving an industrial substitution to more sustainable chemical processes

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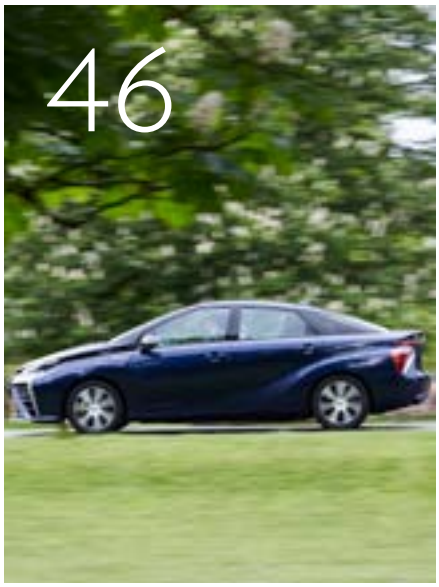

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ABOUT US

ITM Power Plc manufactures integrated hydrogen energy solutions, which are rapid response and high pressure that meet the requirements for grid balancing and energy storage services, and for the production of clean fuel for transport, renewable heat and chemicals. ITM Power Plc was admitted to the AIM market of the London Stock Exchange in 2004 and raised its initial funding of £10m gross in its IPO. Further funding rounds of £28.5m in 2006, £5.4m in 2012, £2m in 2013 and £10m in 2014 have been completed. The Company received £4.9m as a strategic investment from JCB in March 2015. The Company currently has £16.32m of projects under contract or in the final stages of negotiation.


ITM POWER
HYDROGEN
FUEL STATION
HYDROGEN PRODUCED
ON-SITE

HIGHLIGHTS

COMMERCIAL PROGRESS IN YEAR

- Strategic Forecourt Siting Partnership with Shell to deploy on Shell forecourts
- Hydrogen Fuel Contract with Toyota
- Hydrogen Refuelling and Siting Agreement with BOC Linde to evaluate existing BOC sites for refuelling
- €4m grant from €32m H2ME project for European Hydrogen Refuelling Station (HRS) deployment
- €2m grant from €9m 'Big Hit' for a 1.5 MW Electrolyser Deployment
- €2.75m Electrolyser System Cost Reduction Grant, of which ITM Power receive €0.916m
- £1.0m order received of first 1MW sale to ZEAG Energie AG
- Launched M1 Refuelling station coupled directly to renewables
- Launched First Electrolyser HRS in California
- Launched RWE Power-to-Gas Energy Storage System in Germany
- Memorandum of Understanding (MoU) with Good Energy to Explore Green Energy Tariffs
- MoU with Arup to collaborate on hydrogen energy and fuel systems
- MoU with CEME to develop a hydrogen hub in East London
- Agreement with Symbio FCell and Arcola Energy
- Nominated for prestigious Hermes award for HGas product

COMMERCIAL PROGRESS SINCE YEAR END

- A further £1.44m of products under contract secured since year end (2015: £1.98m)
- £0.507m of contracts in final stages of negotiation (2015: £0.363m)
- €1.5m sale to HDF, first sale in France
- Launched first London HyFive HRS in Teddington
- €5m grant from €35m H2ME2 European Hydrogen Refuelling Station deployment

KEY FINANCIAL RESULTS FOR THE YEAR ENDED 30 APRIL 2016

- Total Revenue & Grant Funding of £8.19m (2015: £5,061m) up 56%, comprising:
  - Revenue – £1.930m (2015: £1.635m) up 18%
  - Grant income – £3.188m (2015: £1.777m) up 80%
  - Grants receivable for capital projects – £3.069m (2015: £1.649), up 86%
- Increase in property, plant and equipment to £3.024m from £2.576m, up 17%
- Loss from operations £4.359m (2015: £5.723m), down 21%
- Cash balance £3.336m (2015: £6.576m), down 49%
- Development costs of £0.252m capitalised in the year (2015: £nil)

TECHNICAL ACHIEVEMENTS

- Reduced full system cost by 25% and footprint by 35%
- MW scale system prices now <€1,000/kW
- Full system cost reduction to less than EU target for 2020
- PEM systems now competing with alkaline on price
- Thüga Plant qualifies for the Primary Balancing Market in Germany
- Standard electrolyser system pre-qualified for Enhanced Frequency Response by National Grid
- Demonstrated full system turn on in 800ms and turn off in 140ms
- HGas build time reduced by 2 weeks by improved supply
- Shop floor processes defined to enable production and testing of 50 units per year & modifications underway

CORPORATE DEVELOPMENT POST YEAR END

- Dr Rachel Smith joins the board as Executive Director in September 2015
- Appointment of Nordic/Scandinavian Business Development Manager to develop area; Kris Olsen CFA
- Appointment of Roth Capital to represent ITM Power in the USA
- £5.8m gross funding round secured for working capital

BOARD OF DIRECTORS

Dr Graham Cooley
Chief Executive Officer
(Age 52)

Graham joined ITM Power on 29 June 2009 as Chief Executive Officer. Before joining, Graham was CEO of Sensortec and Universal Sensors, founding CEO of Metalysis Ltd, (a spin-out of Cambridge University), and founding CEO of Antenova Ltd. Graham spent 11 years in the power industry developing conducting polymers, fuel cells, batteries and energy storage technologies.

He was Business Development Manager for National Power Plc and International Power Plc and developed the Regenesys energy storage technology, which was acquired by RWE from Innogy. He has a degree in Physics, a PhD in Materials technology and an MBA.

Dr Simon Bourne
Chief Technology Officer
(Age 41)

Simon joined ITM Power in 2002 and has been one of the leading technologists involved in the development of the Company's core technology. Holding the position of CTO, Simon is responsible for Development, Engineering and Production functions. Simon was instrumental in the design and realisation of the companies electrolyser platform and successfully project managed the delivery of the world's first PEM Power-to-Gas system, currently operational in Frankfurt. Being a key person in the business development team, Simon has an active role in system analysis, cost modelling and product planning. Before joining ITM Power, Simon was a Project Engineer with Sonatest Plc and a Researcher with the Ministry of Defence. Simon has a BSc Hons in Materials Science (UMIST) and a PhD (Cranfield).

Prof Roger Putnam
Non-Executive Chairman
(Age 70)

Roger Putnam, the former Chairman of Ford of Britain and President of the Society of Motor Manufacturers and Traders, was a member of the Government's Energy Review Partnership.

Roger's distinguished career in the automotive industry began at Lotus Plc. In 1982 he joined Jaguar Cars Ltd as Director, Global Marketing and UK Sales Operations. In 1985 Roger was appointed to the Board of Jaguar as Director, Sales and Marketing, a role he retained until he was appointed Chairman of Ford of Britain in 2002.

Peter Hargreaves
Non-Executive Director
(Age 69)

Peter joined the Board of ITM Power in February 2004 as a Non-Executive Director. After qualifying as a chartered accountant, he was employed by KPMG, Unisys, and Whitbread and Company Limited.

In 1981 he founded the national investment brokerage Hargreaves Lansdown Plc, which was successfully floated on the London Stock Exchange in May 2007 and now has a market value in excess of £2.5 billion. Peter remains an Executive Director of Hargreaves Lansdown Plc.

Lord Roger Freeman
Non-Executive Director
(Age 74)

Lord Freeman joined ITM Power in October 2010 as a Non-Executive Director. Lord Freeman is a member of the House of Lords and is currently Chairman of the Advisory Board of Pricewaterhouse Coopers (UK).

During a distinguished political career, Lord Freeman was the Conservative MP for Kettering from 1983 to 1997, served as the Parliamentary Secretary for the Departments of Health and Armed Forces, and as Minister of State for Public Transport and Defence Procurement. He concluded his political career as a Cabinet Minister in the government of John Major.

Sir Roger Bone
Non-Executive Director
(Age 72)

Sir Roger Bone is the President of Boeing UK, Non-Executive Director of F&C Investment Trust Plc, Non-Executive Director and trustee of the National Centre for Universities and Business and a Prime Minister's honorary UKTI Ambassador for British Business.

Previously he has been Ambassador to Brazil and Sweden and Assistant Under Secretary of State in the Foreign and Commonwealth Office. Sir Roger is a graduate of Oxford University, and a former Visiting Fellow at Harvard University. He is also a Trustee of the Royal United Services Institute.

Robert Pendlebury
Non-Executive Director
(Age 74)

Bob has worked in senior management positions in both Ford Motor Company and JCB. Joining JCB in 1991, he became their Engineering and Research Director.

He remains a consultant to JCB, Associate Engineering Director to the JCB Academy and a Visiting Professor to Loughborough University. He is a Mechanical Engineering graduate of Leeds University, Chartered Engineer and Fellow of the Institution of Mechanical Engineers.

Dr R Smith
Executive Director
(Age 41)

Rachel has worked for ITM Power since its incorporation in 2002. Starting as a research scientist Rachel has a solid background in ITM Power materials and their use in electrochemical cells.

She has worked on and managed various externally funded projects and now acts as the funding coordinator for ITM Power's activities. Rachel also manages ITM Power's patent and trademark portfolio.


HYDROGEN

STRATEGIC REVIEW

"ITM Power has a growing commercial pipeline of leading refuelling and energy storage products to deliver to more and more customers around the world, and is well placed to continue it's growth in a market that is becoming more established. This is in no small part down to the dedication of the staff over the last year."

Prof R Putnam
Non-Executive Chairman,
ITM Power Plc

STATEMENT OF SCOPE

This Strategic Report has been prepared solely to provide additional information to shareholders to assess the company's strategies and the potential for those strategies to succeed.

The Strategic Report contains certain forward-looking statements. These statements are made by the Directors in good faith based on the information available to them up to the time of their approval of this report and such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.

The Directors, in preparing this Strategic Report, have complied with s414C of the Companies Act 2006.

This Strategic Report has been prepared for the Group as a whole and therefore gives greater emphasis to those matters which are significant to ITM Power Plc and its subsidiary undertakings when viewed as a whole.

BUSINESS MODEL

ITM Power designs and manufactures integrated hydrogen energy systems for energy storage and clean fuel production. The Company has a suite of product platforms based on Proton Exchange Membrane (PEM) technology tailored to the requirements of its target markets. Of particular importance is the ability to respond rapidly and to generate hydrogen at a pressure, flow rate and purity appropriate to its application. The overarching principle is the capacity to take excess energy from the power network, convert it into hydrogen and deliver it either into a vehicle as a clean fuel or the natural gas network as part of a Power-to-Gas energy storage scheme.

ITM Power has developed innovative products, which utilise its technology and know-how to meet the growing demand for clean fuel and energy storage. The Company's business model is centred on growth of sales.

The Power-to-Gas model is a commercial proposition which offers utility companies energy storage options of a scale and duration relevant to the challenges presented by growing deployment of renewable power generation. The equipment provides grid balancing services which consumes excess energy in the power network converting it to hydrogen for injection into the gas network. There are structured payments for both grid balancing services and supply of hydrogen which helps decarbonize the gas network. ITM Power enjoys a unique position having supplied the world's first PEM Power-to-Gas electrolyser in 2014 and which continues to inject hydrogen into the German gas distribution network. ITM Power has supplied a second PEM Power-to-Gas system to RWE in the prior year, and has contracted in March 2016 to supply a third in Germany.

The refuelling model is one that incorporates the work of national hydrogen infrastructure initiatives to support the growth of hydrogen as a transport fuel, both for use in cars and buses initially, and with further transport applications in the future. Automotive OEM's (Original Equipment Manufacturers) have invested significant funds and developed electric power trains for over 20 years. The roll-out of Fuel Cell Electic Vehicles (FCEVs) is underway, led by Toyota and closely followed by Hyundai, with Honda the next OEM to rollout a Fuel Cell Electric Vehicle. ITM Power has won contracts to supply on-site hydrogen generation equipment for refuelling in the UK and the US, and more recently to France. In the year ITM Power has achieved awards for three new Hydrogen Refuelling Stations plus up to a further three post year end in the UK.

At the heart of all of these applications is an ITM Power electrolyser system.

GRANT FUNDING

ITM Power utilises funding from grant bodies to contribute towards technological advancement in support of product improvement and cost reduction. Such funding can also support the build, deployment and operation of pilot projects. The funding received from the Innovate UK (formerly the Technology Strategy Board) and EU has enabled an acceleration of development to drive the company's innovative technology in to these rapidly growing markets.

The company has, in the past, received grant funding from EU funding bodies, which has helped accelerate research activity but also infrastructure development. The referendum result in the UK means that there is a risk that this funding will not be as readily available in the mid to long-term (that is, after Brexit). The Group recognise this is a risk and have strategies for mitigation in place which are discussed on page 11.

GLOBAL MARKETS

Markets for water electrolysis as a hydrogen infrastructure solution continue to develop in the UK, as showcased by the Island Hydrogen, and HyFive projects together with the UKH_2 Mobility initiative supported by the Office of Low Emission Vehicles. Similar initiatives are also underway in France, Denmark, Germany, Japan and the US. The market for Power-to-Gas is led by Germany where ITM Power have sold the first two systems to inject hydrogen into the German distribution network. The opportunities continue to grow rapidly in Germany while spreading to other regions, for example California where energy storage is now mandated.

ITM Power has a model of locating agents in key territories to position ITM Power as a world leading developer and supplier of electrolyser products. Initial market opportunities often begin with collaborative projects with blue chip companies before leading to sales and maintenance contracts of established, CE marked units. CE Marking is mandatory for selling products within the EU. ITM Power has six business development personnel 'in the field', and has also established a strong after sales support team. Business development effort is focused in areas where markets are more advanced. ITM Power has subsidiaries in Germany, USA and Denmark which serve to generate local knowledge and partnerships, grow operation and after sales support, increase opportunities for state grant funding, and provide opportunities to operate within the local currency.

Early indication from potential customers and partners show that the Brexit vote may not slow ITM Power's progress in Europe, with the first refuelling station in France being contracted after the Referendum on 23rd June. The Group already has subsidiaries in both Germany and the US and would as an option be able to sell into those markets through the local, rather than UK-based subsidiary.

FUTURE PROSPECTS

ITM Power sees its route to increasing product and maintenance sales as being through the increasing deployment of its products in the key Power-to-Gas energy storage and clean fuel sectors. The Company is well represented in these commercial sectors and territories where market growth is now accelerating. The Company has an established product platform which continues to benefit from ongoing cost reduction activities and technology improvements.

Transport Minister, MP Andrew Jones with Dr Simon Bourne, CTO, ITM Power

REVIEW OF THE BUSINESS

"We are very excited about the role of ITM Power in deploying hydrogen refuelling infrastructures for passenger and commercial Fuel Cell Electric Vehicles in the UK and abroad and demonstrating the system benefits generated by using electrolytic hydrogen solutions in UK grid operations."

Dr Simon Bourne
CTO, ITM Power Plc

BUSINESS ENVIRONMENT

ITM Power positions itself as an expert in Hydrogen technologies, not just within the UK but globally. Consequently, we are increasingly being consulted as a leading expert in energy storage solutions and clean fuel and are well positioned to service the upturn in demand expected in the coming years.

ITM Power opened our first public access HRS in September 2015, situated at the Advanced Manufacturing Park, just off the M1, Junction 33 South Yorkshire. Supported by Innovate UK this site consists of a 225kW wind turbine coupled directly to an electrolyser, 220kg of hydrogen storage, a hydrogen dispensing unit and a 30kW fuel cell system capable of providing back up power generation for nearby buildings.

Our first London HRS was opened in May 2016 by Andrew Jones MP, Transport Minister at the Department for Transport. This was the first of three UK stations to be deployed as part of the pan European HyFive project which was funded by the European Fuel Cell and Hydrogen Joint Undertaking)FCH JU)_ and the UK Government office of low emissions vehicles (OLEV). Located at the National Physical Laboratory in Teddington, the Hydrogen Refuelling Station is close to the A316 and A308 trunk roads. Commissioning teams from ITM Power and BOC Linde have now moved onto commissioning further electrolyser based refuelling stations in and around London at the Centre for Engineering and Manufacturing Excellence (CEME) in Rainham and at a Shell/Extra MSA forecourt in Cobham. The stations are deployed under the HyFive project and will be open to the public later this year once commissioning is complete. We have developed a strong and experienced team with expertise in HRS siting activities, and to date we have been awarded planning permission for 13 HRS sites in the UK.

Hydrogen Mobility Europe (H2ME) was launched in September 2015, with ITM Power the coordinator for the UK activities which includes a large coalition of European partners. H2ME is co-funded with €32m from the FCH JU, and ITM Power's activities are additionally supported by OLEV. H2ME is the largest European project of this nature and is based around an alliance of the four most ambitious hydrogen mobility initiatives in Europe: H_2 MOBILITY Deutschland, Mobilité Hydrogène France, Scandinavian Hydrogen Highway Partnership and UK H_2 Mobility. These initiatives originally brought together the key stakeholders in the hydrogen sector (vehicle manufacturers, Hydrogen Refuelling Station providers and Government representatives), to study and develop strategies to make hydrogen-fuelled transport a reality in the respective regions. ITM Power will be deploying two new HRS at Shell locations in or around London, with planning permission granted for a further Shell station in a prominent position.

H2ME2 was announced in June 2016, this follow on project provides funding from the FCH JU for a further three ITM Power HRS, located in or outside of London to expand on the developing hydrogen network in the UK.

The development of a growing network of ITM Power HRS in the UK provides a strengthening backdrop to fuel sales to public and private fleets. ITM Power announced a fuel supply agreement in October 2015 with Toyota, this agreement sees the price of hydrogen to all customers from ITM Power's public refuelling stations at £10/kg which is the lowest hydrogen price at any public refuelling stations in the UK. The recent OLEV announcement for £2m support for commercial or public sector FCEV fleets provides the opportunity to develop refuelling relationships with vehicles users in the UK.

In the US ITM Power Inc. achieved operational status for its Riverside, California hydrogen fuelling station in November 2015. This is the first electrolyser based station to achieve this status under the California Energy Commissions (CEC) 2014 funding program for hydrogen fuelling stations. The station achieved this status in less than 11 weeks from the issuance of the local permit, setting precedence for the shortest time taken to install and commission an on-site hydrogen generation fuelling station.

ITM Power plant continues to run successfully in the field providing Power-to-Gas energy storage in Germany. In June 2016 the Thüga Group announced that ITM Power's Power-to-Gas technology is also suitable for primary balancing energy market; the first electrolyser to achieve this. The plant continues to exceed expectations over two years of rigorous testing.

The system provided to RWE Power-to-Gas plant in Ibbenbüren, North Rhine Westphalia was launched in August 2015. The state-of-the-art plant is part of a new system that, for the first time ever, links together the supply of local electricity, natural gas and district heating. Any excess electricity from renewable sources is converted into hydrogen so it can be stored within the natural gas network. It can then be recalled from there at a later date for use in electricity production that boasts an extremely high utilisation rate. This Power-to-Gas process is seen as one of the key technologies for tomorrow's energy supply. A significant results is that RWE has measured an overall energy efficiency of 86%.

In March 2016 ITM Power announced the sale of a 1MW electrolyser system with some additional equipment to ZEAG Energie AG ("ZEAG") by competitive tender. ZEAG engages in the production and supply of electric power in Germany. The system will comprise an electrolyser, compressor and apparatus to fill tube trailers. The electrolyser will have a nominal capacity of circa 0.9MW in normal operation with an overrun capability of 1MW. The system will be owned and operated by ZEAG but housed in a specially constructed building located at DLR (Deutsches Zentrum für Luft- und Raumfahrt), the German Aerospace Centre in Lampoldshausen. ITM Power is exploring a small further engineering consultancy contract to assist DLR with extended use of hydrogen facilities.

In April 2016 ITM Power received €5m EU grant for the 'Big Hit' (Building Innovative Green Hydrogen systems in an Isolated Territory) project funded by the Fuel Cells and Hydrogen Joint Undertaking ("FCH JU"). The FCH JU selected 'Big Hit' as the only hydrogen project in its Hydrogen Territories tender to receive funding. ITM Power is the electrolyser provider and will receive €2.27m over five years. The Orkney Islands have over 50MW of installed wind, wave and tidal capacity, generating over 46GWhr per year of renewable power, and has been a net exporter of electricity since 2013. Energy used to produce the hydrogen for 'Big Hit' will be provided by the community-owned wind turbines on Shapinsay and Eday, two of the Orkney islands.

'Big Hit' builds on foundations laid by the Orkney Surf 'n' Turf initiative, which will see production of hydrogen on the islands of Eday and Shapinsay using wind and tidal energy. These are both world leading pilot and demonstration projects, which deploy a fully integrated model of hydrogen production, storage, transportation and utilisation for low carbon heat, power and transport.

The Hannover Messe in April 2016 attracted a record attendance of over 190,000 visitors including some 5,000 from the USA and 6,000 from China. ITM Power exhibited a complete 0.3MW HGas180 electrolyser system and a 1.5MW stack module, these exhibits generated a significant level of interest, as did the nomination for the prestigious Hermes Award.

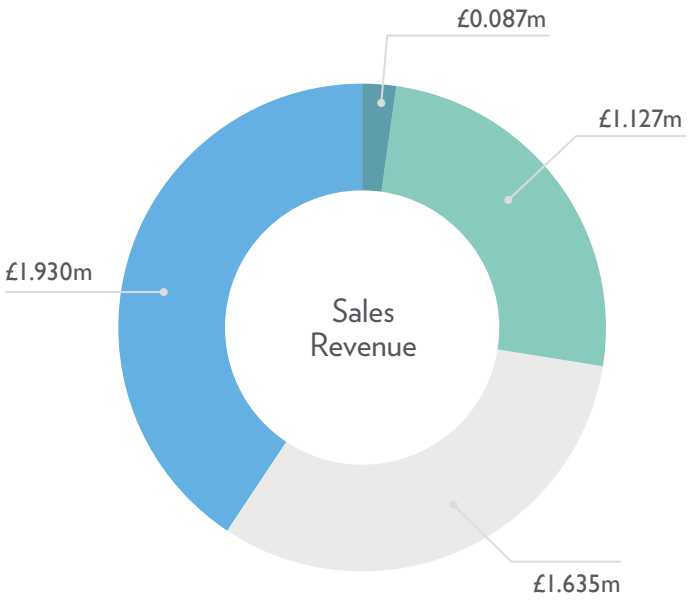
EU Commissioner Vice-President of Energy, Maros Sefcovic with Dr Graham Cooley, CEO ITM Power

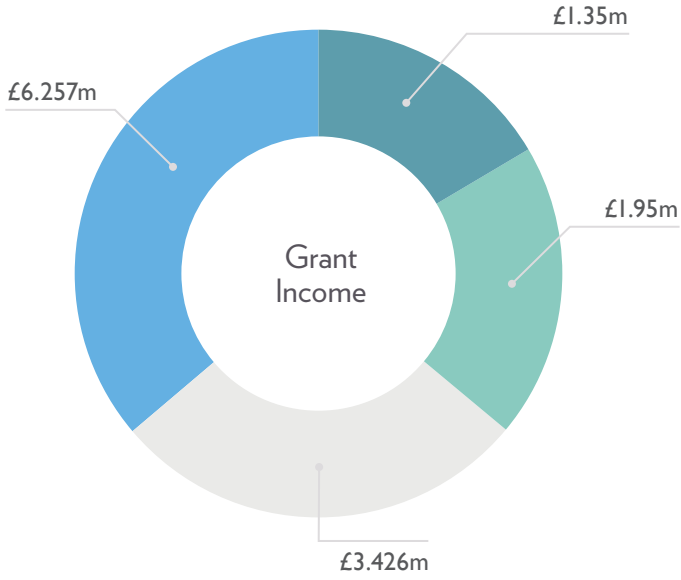
KEY FINANCIALS

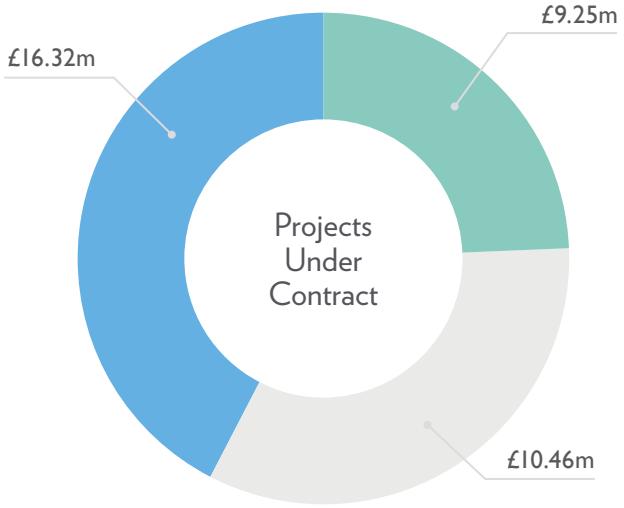
A summary of the key financial results is set out in the table below and discussed in this section.

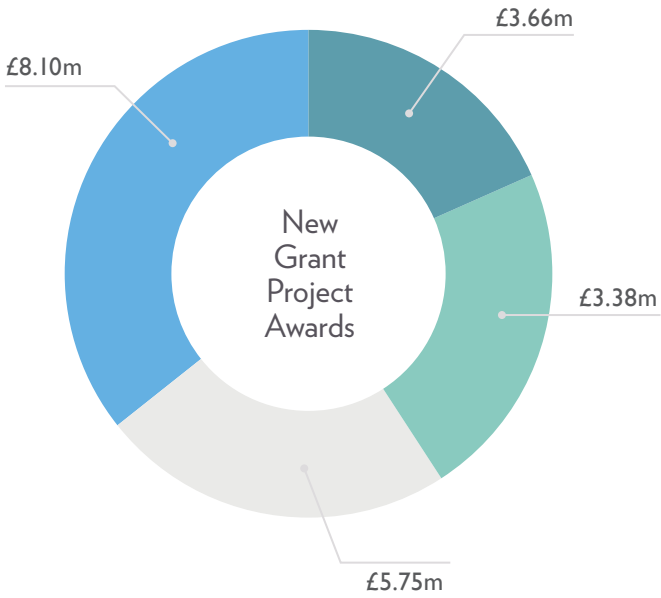
	2016	2015	2014	2013
Total Projects income, being sales and grants receivable	£8.190m	£5.061m	£3.077m	£1.44m
Of which: Sales Revenue	£1.930m	£1.635m	£1.127m	£0.087m
Of Which: Grant recognised in the income statement	£3.188m	£1.777m	£1.370m	£1.35m
Of Which: Grant recognised on the balance sheet (offsetting asset build)	£3.069m	£1.649m	£0.58m	£nil
New grant project awards	£8.10m	£5.75m	£3.38m	£3.66m
Pre-tax loss	£4.359m	£5.711m	£7.953m	£6.17m
Projects Under Contract or in final stage of negotiation	£16.32m	£10.46m	£9.25m	Not measured
Non Current Assets	£3.276m	£2.546m	£1.755m	£1.463m
Net Assets	£11.635m	£10.344m	£11.000m	£7.379m

KEY FINANCIALS









2013 2014 2015 2016

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FINANCIAL PERFORMANCE

The pre-tax loss for the year under review decreased to £4.359m (2015: £5.711m) and net cash burn before fund raise increased to £8.471m (2015: £8.034m).

The decrease in loss in the year being reported can be attributed to three major factors – a concerted development and engineering effort towards cost reduction and standardisation; the increase in sales revenue and at profitable margins, and the increased grant funding received in the year on both new and existing projects. The cash burn increase is a result of some timing differences, particularly in line with the increased grant activity which generally requires an outflow of cash before a receipt of grant, even if there is a proportion of upfront funding from the grant body. This cash outflow shows the commitment of ITM Power to being a refuelling system owner and operator as the industry seeds in order to gain market share.

Revenue has increased as the company gains traction in the growing hydrogen market, but is also representative of servicing a growing pipeline. In the period, revenue growth was significantly down to the performance and delivery of one contract being the deployment of a unit to Orkney for EMEC. Consequently, the company has experienced the greatest growth in sales through UK Power-to-Gas sales. However, with the company in a strong growth phase, it is likely that the next period shall see a supply of units to Europe despite the challenges in the current political climate so geographical analysis will continue to fluctuate. The company will continue to operate in a high value, low volume environment too, which will continue to influence the results over the next few years.

Revenue in the year to April 2016, as it has been in previous year is driven by Power-to-Gas sales. There has also been an increase year on year in consultancy, with ITM Power a recognised expert in the field. The company is starting to find a consultancy service is procured with a view to sourcing units in the future in competitive tenders. ITM Power have a strong record in competitive tenders and consider technical achievements in the year will make the company more competitive again.

In the year, the company capitalised development costs of £0.252m. This is for product developments that will continue to keep the company at the forefront of PEM electrolysis and the Directors see the continued development of product as key to building commercial traction.

Total collaborative project funding recognised in the period was £6.257m of which £3.188m is recognised on the income statement (2015: £3.426m, of which £1.777m was recognised on the income statement). This increase in asset builds supported through project funding has allowed ITM Power to develop a suite of hydrogen generation equipment that it will own and operate as part of the collaborative projects, allowing data and knowhow to be incorporated into new generations of electrolysers.

In the period, a refuelling station was opened to the public on the M1 in September, and a further station was opened in California in November. Since year end, the company's first refuelling station has been opened in London and the company expects to start reporting revenues from these stations at the interim and future results.

COMMENTARY ON THE YEAR'S REVENUE

The sales order book at the year end stood at £2.90m (2015: £1.98m). This increase is representative of the growing commercial pipeline and represents a large Power-to-Gas unit, some smaller units and the sale of a Hydrogen Refuelling Station in France.

The value of projects under contract at the time of the report stood at £16.32m (2015: £10.10m). Projects under contract represents the value of contracted Revenue and Grant Funding yet to be recognised by ITM Power in the future, and the board find this a more accurate reflection of the increase in activity the company has experienced in the year.

Whilst projects under contract continue to accelerate ITM Power's growth and products in the market, the board is aware of the continued potential for revenue volatility (as experienced in 2014) as projects grow in size and complexity. Revenue volatility will continue to decrease as the business matures and grows, and as ITM Power realises opportunities in large markets.

FINANCIAL POSITION

At year end, ITM Power had £3.336m (2015: £6.576m) of funds in the bank, and trade and other receivables of £6.487m (2015: £4.113m), totalling £9.823m (2015: £10.689m). The receivables predominantly relate to grant income debtors. Recognising the need to be lean with working capital, ITM Power continues to structures quotes to include upfront payment with orders so that working capital is not impacted adversely by increased activity.

ITM Power has seen an increase in non-current assets to £3.276m from £2.546m in the prior year as the company engages in projects that create assets for the future. This is a policy that will continue, especially with the completion of the Island Hydrogen and HyFive projects.

OUTLOOK

The Group have enjoyed a greater level of customer engagement in the past year than at any other time. This was never more noticeable than at the Hannover Messe in April 2016 where the company enjoyed the greatest footflow it had ever experienced. The year ending 30 April 2016 also saw the Group deliver a number of landmark events, including deployment and opening of the first ITM Power refuelling stations in the UK and US. ITM Power is now in a position where it can continue to focus on delivering its leading refuelling and energy storage products to more and more customers around the world, and especially in terms of refuelling infrastructure in the UK. The Board look forward to reporting progress as contracts are awarded.

STRATEGY AND OBJECTIVES

STRATEGIES

ITM Power is now firmly focussed on large scale solutions. The current strategy is to use the existing, operational Thüga and RWE projects as a reference plant for Power-to-Gas sales.

Using the same initial platform, the company will also be able to show demonstrable success in the near future of hydrogen, using the M1 Wind refueller and HyFive stations, which will be used as reference plant for further refuelling stations.

In the medium-term, the national mobility programmes, in which ITM Power has positioned itself as a key partner for refuelling through electrolysis, will drive initial refuelling station sales.

ITM Power are currently positioned as a refueller of hydrogen, and will also be able to gain market share for hydrogen sales as vehicles are adopted.

OBJECTIVES

ITM Power has immediate objectives in terms of product development and in particular scale up of our proven electrolysis equipment. This will allow penetration of larger markets, and is a direct response to market demand from sales enquiries and trade fairs and events.

Cash flow remains a key measure for the Board, with the other key objective for ITM Power being the achievement of a positive cash flow in the shortest possible time, whilst maintaining the appropriate working capital requirements. In the year in review, cash flow for the year was an outflow of £3.240 after fund raise (2015: £3.295 after fund raise).

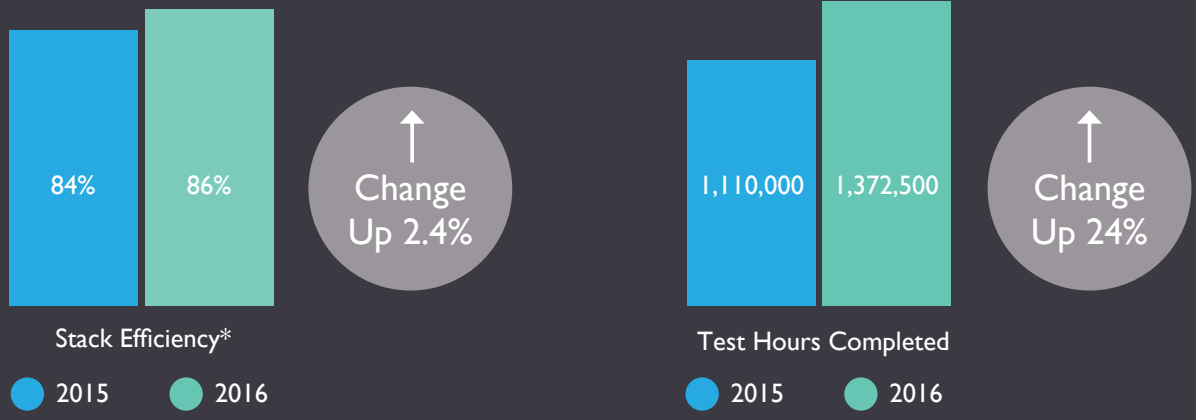
Break-even is another measure for the board and is a key driver in decisions to develop business.

STRATEGIES FOR ACHIEVING OUR OBJECTIVES

Product development, and in particular upscaling of product offering, will be achieved through securing and utilising project funding. This serves the dual purpose of reducing cash outflow and creating strong key partnerships within industry.

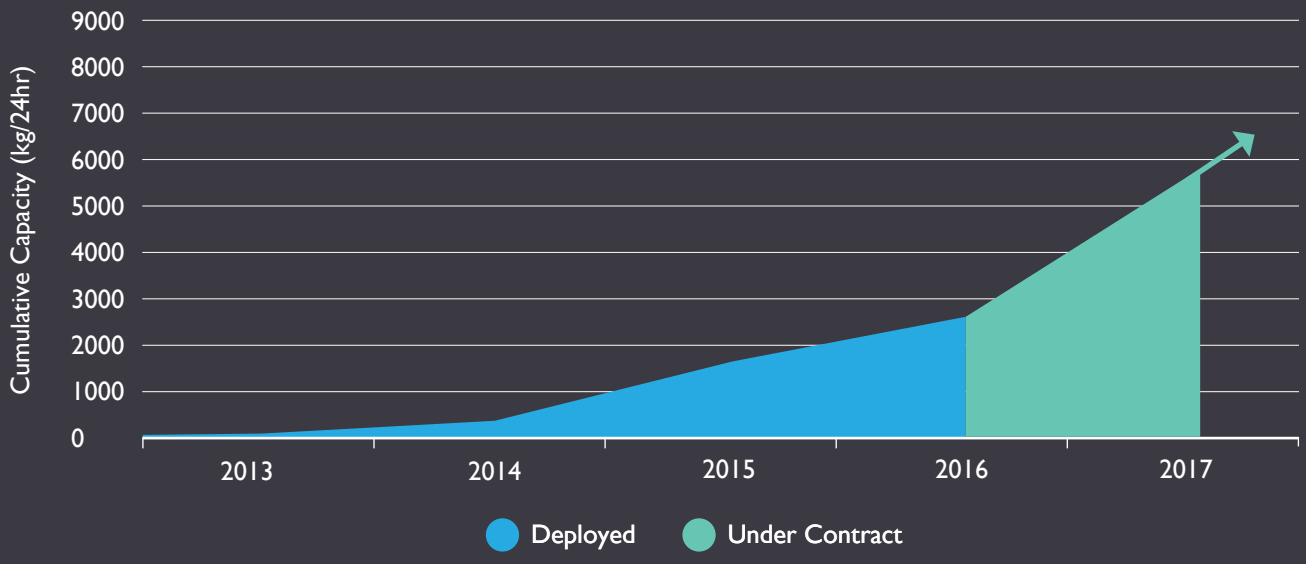
Short-term cash flow is aided by ITM Power quoting for sales with upfront payments which reduces reliance on working capital. Cash outflow is minimised through working with support from partners on the development of technology whilst we are continuing to build a contract pipeline. Historically, it has taken two years for potential customers to move through a learning curve and to reach the point of purchasing equipment, and it is with this in mind that we are creating a larger pipeline.

NON-FINANCIAL KEY PERFORMANCE INDICATORS



*The efficiency of an electrolyser stack is a measure of the electrical energy input against the chemical energy content of the hydrogen produced.

HYDROGEN PRODUCTION CAPACITY UNDER CONTRACT IN KW



The Company has achieved an overall efficiency improvement to its rapid response stack platform, to greater than 86% (2015: 84%). This was recorded from plant in the field and represents a real-world reference which can be showcased and repeated. This will provide further significant benefit to end users and will produce a positive impact on the economics of both hydrogen refuelling and Power-to-Gas applications.

The level of knowledge gained within stack development has increased with longevity testing and cyclic testing all contributing to an estimated total of 1,450,000 hours assembled knowledge. This testing has enabled rapid scale up to date as demonstrated by the largest stack capacity compared with that of prior years.

PRINCIPAL RISKS AND UNCERTAINTIES

COMMERCIAL RISK

The principal commercial risks to the Group are as follows:

Description	Impact	Assessment of change in risk year-on-year	Mitigation
ITM Power does not achieve sufficient commercial success before existing competitors or new entrants.	The current plans the Group has may not be realised, and ultimately the Group may have to re-evaluate its forecasts.	There is greater commercial traction in the current year, both for ITM Power and some of its' competitors. However, ITM Power has experience in the field that is unparalleled. As such this is considered reduced risk year on year.	ITM Power retains a comprehensive patent suite incorporating novel technologies and processes. The board considers the patent suite owned by the Group creates a significant barrier to entry for new competitors, and for existing competitors to threaten the Group's market position.
Alternative technologies are adopted in preference to the Group's technology.	The Group could struggle to gain market share or may find itself operating in a smaller market than is currently anticipated.	This risk is considered diminished as the market continues to develop and greater applications are explored and considered feasible.	The board considers the technological proposition of the Group and through both review and strong targeting considers the technology to be superior to that currently on the market. Through targeted improvements in technology development the board seeks to retain that competitive advantage.
Energy policy changes could adversely affect the commercial and project traction the Group has started to achieve.	The Group may find the technological demand for their product reduced.	This risk is considered diminished compared to previous years as the hydrogen agenda gathers pace. ITM Power's more global positioning decreases the reliance on one particular country's policies.	The board seeks to be led by commentators and industrial bodies as to the direction of policy change. Currently, as global markets continue to rely ever-more-heavily on the use of intermittent and fluctuating renewable energy sources, the case for energy storage solutions continues to be strong.
Foreign Currency fluctuations could adversely affect the profitability of certain contracts by impacting the supply chain, sales cycle or valuation of receivables and payables.	The profitability of the Group could be affected if exchange rates flucatuate significantly during the course of a contract.	This risk has increased as a result of the UK referendum to Brexit, in that whilst exchange rates currently favour ITM Power for exporting, this may not always be the case.	Where possible, ITM Power operate a natural hedge, using currency accounts to mitigate against immediate risks. The Group also consider the use of forward contracts and will monitor exchange rates more closely in the future as the value of contracts continues to grow.

Description	Impact	Assessment of change in risk year-on-year	Mitigation
Regulatory changes could adversely affect the commercial success of the Group.	As the market for hydrogen systems develops, the regulatory structure gains sophistication. The risk of falling behind developments could render products obsolete.	Similar to previous years.	The board considers regulatory issues, and particularly in the markets for automotive and energy storage solutions find regulations continue to support the case for hydrogen energy systems as a solution. The regulatory environment in which ITM Power operates continues to evolve and the board seeks to position ITM Power as a leading expert in the field to shape and reliably inform best practice with regards to regulatory changes.
ITM Power have previously been well-funded by EU sponsored programmes and the certainty of this pipeline may be impacted by the UK Refereundum on Brexit.	It may be harder to win contracts from a source that has historically been a successful strategy for ITM Power.	This risk increased significantly upon the announcement of the referendum result on 24th June 2016.	The company have a number of options, and are encouraged that near term forecasts are not affected by this outcome. One option is to utilise the presence of an EU subsidiary company (ITM Power GmbH) to apply for the same funds as before, with negligible impact to project viability. There are other precedents for accessing the same EU funding pot, but also to broaden the scope of projects to ensure this potential risk is resolved.
ITM Power continues to be in a cash consumption phase.	There is a risk that the company may face working capital and cash flow challenges associated with this characteristic and the 'lumpiness' of orders.	At year end there was less cash in the bank than in the prior year but equally there was greater sales traction. ITM Power is also being required to quote for larger systems. This risk has diminished since the prior year.	There are a number of options available to the Group, which include structuring sales beneficially, and requiring money up front. There is an ongoing scheme of work to create greater profitability within the products.

CORPORATE SOCIAL RESPONSIBILITY

The board of Directors meet regularly to review specific and general risks that face the company and strives to position the Group and company in a way that any risks can be minimised and met, should the need arise.

HEALTH, SAFETY AND THE ENVIRONMENT

ITM Power's products are designed to reduce the carbon footprint of our customers' energy generation and distribution processes and, in particular, enhance the utilisation of sources of renewable energy that would otherwise be wasted.

We have engaged in a collaborative project to build a pilot unit for fertiliser production from renewable energy which will decarbonise fertiliser production which is responsible for a material proportion of global greenhouse gas emissions.

In our production processes we adhere to the highest standards of accreditation and have held ISO 14001 Environmental accreditation since 2009. We have also held BS OHSAS 18001 Health and Safety accreditation since 2009.

SOCIAL AND COMMUNITY RESPONSIBILITIES

The Group encourages recycling and a care for the environment in which we operate. We attempt to recycle as much equipment as possible, either by reselling research equipment for which we no longer have use or by donating used computers to schools and other projects.

GOING CONCERN

The Directors have prepared a cash flow forecast for the period ending 31 August 2017. This forecast indicates that the company and group will remain cash positive without the requirement for further funding, for a period of at least 12 months from the date of approval of these financial statements. The forecast includes certain assumptions, in particular in respect of the level and timing of projected sales and grant cash inflows, which are inherently uncertain; the Directors believe that the level and timing of the projected sales represent a prudent estimate, with the current sales pipeline providing potential upside. Notwithstanding these uncertainties, the Directors have a reasonable expectation that the company and group will be able to meet their obligations as they fall due, for the foreseeable future. In reaching this conclusion the Directors have also considered the current liquidity position at the date of signing and believe the current liquidity position will support the business in the near and longer-term.

Accordingly, the financial statements have been prepared on a going concern basis.

Approved by the Board and signed on its behalf by:

Dr Simon Bourne
Director
Date: 28 July 2016

ITM POWER SHORTLISTED FOR THE HERMES AWARD 2016

Having been nominated for the prestigious Hermes Award, often referred to as the "Oscars of Industry" in Germany, the Company's HGas product was placed in the top five. This was recognised at the opening ceremony that was attended by U.S. President Obama and German Chancellor Merkel, and the Company was awarded with a certificate by the German Federal Minister for Education and Research, Dr Johanna Wanka on the first day of the exhibition.

Photo left to Right: *Prof. Dr. Wolfgang Wahlster, Stephan Weil, Prof. Dr. Johanna Wanka, Rebecca Markillie, Dr Simon Bourne, Charles Purkess, Dr. Jochen Köckler.*

HANNOVER MESSE FROM 25 TO 29 APRIL 2016

This year's Hannover Messe attracted a record attendance of over 190,000 visitors including some 5,000 from the USA and 6,000 visitors coming from China. U.S. President Obama had three ministers in his delegation. Five of the most important EU Commissioners were at the event, including Vice-President of Energy, included Maroš Šefčovič, visited the ITM Power's stand and met with Dr Cooley to discuss Power-to-Gas, Energy Storage in Europe.

This year the Company exhibited a complete 0.3MW HGas180 electrolyser system and a 1.5 MW stack module. The stand attracted the highest level of interest in the Company's 6th year of attendance, resulting in a large number of expressions of interest which the Company will follow up and convert into quotations. In particular, ITM Power's MW scale Power-to-Gas products attracted a significantly higher level of interest. ITM Power also gave a number of presentations, had displays in the Integrated Energy Plaza and in the Research and Technology hall, directing visitors to the Company's main stand.

ITM Power stand at the Hannover Messe 2016.

CLEAN FUEL

HYDROGEN FUEL STATIONS

"The opening of five public access Hydrogen Refuelling Stations in London before the end of 2016 is a big task. It represents the culmination of several years of diligent work and allows the Company to demonstrate its ability to deliver large and complex projects. Combined with our well targeted marketing and rapidly developing sales pipeline, I believe the Company is in a very exciting stage of growth and I look forward to updating the market on further developments as appropriate."

Dr. Graham Cooley
ITM Power CEO

M1 WIND HYDROGEN STATION

Innovate UK
Technology Strategy Board

Office for Low Emission Vehicles

The opening of the wind hydrogen station took place on September 17th 2015. This was ITM Power's first public access Hydrogen Refuelling Station sited at the Advanced Manufacturing Park, just off the M1, Junction 33 in South Yorkshire, funded by Innovate UK.

The launch was supported by Hyundai, Toyota, and Honda who attended with their Fuel Cell Electric Vehicles (FCEV). Delegates were encouraged to 'ride and drive' the cars. The event showcased the Hyundai Ix35, the Toyota Mirai, the Honda FCX Clarity and a British Microcab. Hyundai and Toyota also presented at the launch event and participated in the Q&A session.

The site, which as a public access refuelling station is the first of its kind in the UK, consists of a 225kW wind turbine coupled directly to an electrolyser, 220kg of hydrogen storage, a hydrogen dispensing unit and a 30kW fuel cell system capable of providing backup power generation for nearby buildings. The facility has been upgraded as a showcase for ITM Power's world-class hydrogen generation equipment and is used to provide retail hydrogen fuel services. The M1 motorway was highlighted as a key route for the early deployment of hydrogen refuelling in the UK in the published UK H_2 Mobility Phase 1 Report.

The station opening attracted lots of broadcast press with coverage on BBC Look North and ITV News.

The station, supported by Innovate UK, offered hydrogen gas at 350bar which was a specification of the Island Hydrogen (formally known as Eco Island) project.

The station is currently being upgraded to provide hydrogen at both 350bar and 700bar as a result of funding from the Office for Low Emission Vehicles (OLEV), this will provide the fuel cell vehicles with a longer range of between 350 – 400 miles and extend the reach of clean emission transportation in South Yorkshire to Hydrogen Refuelling Stations elsewhere in the UK, including London.

"Toyota are delighted to congratulate and join ITM Power at the opening of the new M1 refuelling station. A project that will support the October launch into the UK of our new Mirai, the world's first dedicated mass produced hydrogen Fuel Cell Vehicle"

Jon Hunt
Manager, Toyota & Lexus Fleet Marketing, Toyota (GB) PLC

"We are extremely pleased to be launching the first of the company's Hydrogen Refuelling Stations today, at this very accessible location off the M1 in South Yorkshire, and to provide clean fuel for the Fuel Cell Electric Vehicles that are now available from the auto OEMs. Following the strategic forecourt siting agreement last week with Shell, this station will provide important reference for demystifying the ability to utilise renewable energy supply for its efficient conversion to clean fuel for clean transport emissions, that is enabled by ITM Power's rapid response PEM electrolyser platform and the super impressive performance of Fuel Cell Electric Cars"

Dr Graham Cooley
CEO, ITM Power

Opening of the M1 hydrogen station, Advanced Manufacturing Park – South Yorkshire.

FIRST LONDON HYDROGEN STATION

ITM Power launched its first public access Hydrogen Refuelling Station in London at the National Physical Laboratory, Teddington on 10th May 2016. The station was opened to the public by Andrew Jones MP, Transport Minister at Department for Transport, and was supported by the automotive OEMs Hyundai, Toyota, Honda and Renault partner Symbio FCell, who also presented and participated in a Q&A session.

The station is the first of three UK stations to be deployed as part of the pan European HyFive project, which was funded by the European Fuel Cell and Hydrogen Joint Undertaking (FCHJU) and the UK Government Office of Low Emission Vehicles (OLEV).

Located at the National Physical Laboratory in Teddington, the Hydrogen Refuelling Station is close to the A316 and A308 trunk roads and is available for commercial and private fleets operating Fuel Cell Electric Vehicles. Delegates took part in a 'ride and drive' that showcased a range of Fuel Cell Electric Vehicles including the Hyundai Ix35, the Toyota Mirai, and the Honda FCX Clarity.

Commissioning teams from ITM Power and BOC Linde will now move on to commission and open a further four electrolyser based refuelling stations in and around London before the end of 2016.

"Honda is pleased to support the opening of ITM Power's new HyFive Hydrogen Refuelling Station for public access at Teddington. Honda is encouraged to see this launch as part of the much needed network of stations required in the UK to support the introduction of its new Clarity Fuel Cell model"

Thomas Brachmann
Chief Project Engineer and Head of Powertrain Section, Honda R&D on behalf of Honda Motor Europe

"I am excited to launch the new Kangoo ZE H2 700 bar van at the opening of ITM Power's first refuelling station in London. The higher pressure 700 bar storage capability enables the vehicle to refill at any European refuelling station and improve the vehicle range, and with ITM Power's program to extend the network of stations in and around London, clean emission journeys by public and private logistics organisations are now possible. This solution is today a real pollutant free alternative to the incumbent diesel powered vehicles, improving London air quality"

Fabio Ferrari
CEO, Symbio FCell

"Hyundai UK is very pleased to see the launch of ITM Power's refuelling station at Teddington, under HyFive, and is looking forward to a further four stations planned to be deployed in London by ITM Power this year. It's very encouraging to see the infrastructure growing, making it even more feasible for businesses and consumers to own and run zero-emission Fuel Cell Electric Vehicles. This is very timely, supporting the growing interest and sales of the iX35 Fuel Cell car, and Hyundai Motor Group's plan to bring to market two new fuel cell vehicles by 2020"

Tony Whitehorn
Hyundai Motor UK's President and CEO

"We are extremely pleased to have launched the first of the company's HyFive Hydrogen Refuelling Stations in London providing clean fuel for a range of Fuel Cell Electric Vehicle types that are now available from the auto OEMs. ITM Power is grateful for the co-operation of our HyFive partners and for the funding support of FCH JU and OLEV"

Dr Graham Cooley
CEO, ITM Power

"The opening of ITM Power's new filling station is an excellent example of how a coordinated hydrogen fuel infrastructure is successfully being developed in the UK. We are pleased to continue our support for the wider provision of hydrogen fuel outlets, which will encourage increased customer uptake of zero-emissions hydrogen Fuel Cell Electric Vehicles such as the Toyota Mirai saloon"

Paul Van der Burgh
Toyota (GB) PLC President and Managing Director

"We are committed to making all cars and vans zero-emission by 2050, and hydrogen vehicles have a huge role to play in delivering cleaner, greener journeys. The new refuelling station at Teddington is just one of 12 stations opening up this year, backed by £5 million of government funding, that will make it easier for more people to switch to this exciting new technology."

Andrew Jones
Transport Minister, MP

HYDROGEN STATION ROLL-OUT & PARTNERSHIPS

ITM Power will be opening another Hydrogen Station at The Centre for Engineering and Manufacturing Excellence (CEME) site in Rainham.

The CEME campus is ideally located on the A13 one of the main East London arterial roads between London City Airport and the M25, providing publically accessible refuelling infrastructure to East London. The CEME site has one of the largest arrays of photo voltaic's in the south of England, consisting of 717 panels designed to supply 115 kW's, which will provide power to the station. The station will be deployed as part of the HyFive project and will open to the public in September.

HYDROGEN MOBILITY EUROPE (H2ME) AND H2ME2

Hydrogen Mobility Europe project ("H2ME") was launched in September 2015 and ITM Power is the coordinator for UK activities which includes a large coalition of European partners.

H2ME is co-funded with €32 million from the Fuel Cells and Hydrogen Joint Undertaking (FCH JU). The project will support the deployment of Fuel Cell Electric Vehicles (FCEVs) and Hydrogen Refuelling Stations (HRS) across Europe.

H2ME is the largest European project of this nature and is based around an alliance of the four most ambitious hydrogen mobility initiatives in Europe: H_2 MOBILITY Deutschland, Mobilité Hydrogène France, Scandinavian Hydrogen Highway Partnership and UK H_2 Mobility. These initiatives originally brought together the key stakeholders in the hydrogen sector (vehicle manufacturers, Hydrogen Refuelling Station providers and Government representatives), to study and develop strategies to make hydrogen-fuelled transport a reality in the respective regions.

Under H2ME it will deploy 200 FCEVs, 125 fuel cell range-extended electric (FC RE-EVs) commercial vans and 29 new HRSs in 10 countries (Austria, Belgium, Denmark, France, Germany, Iceland, Netherlands, Norway, Sweden and the UK) by 2019. This plan ties in with existing national level initiatives for the roll-out of a large scale hydrogen refuelling infrastructure, aimed at enabling Europe wide emission-free driving.

ITM Power has also announced in June 2016 that it will receive €5.06m from H2ME2 to deploy three new dual pressure Hydrogen Refuelling Station (HRS) assets to expand the national refuelling network in the UK.

"We are very excited about the role the project will play in deploying hydrogen refuelling infrastructure, passenger and commercial Fuel Cell Electric Vehicles in the UK and demonstrating the system benefits generated by using electrolytic hydrogen solutions in UK grid operations"

Thomas Brachmann
Chief Project Engineer and Head of Powertrain Section, Honda R&D on behalf of Honda Motor Europe

AGREEMENT WITH SHELL

ITM Power has signed a strategic siting partnership with Shell for the delivery of Hydrogen Refuelling Stations (HRS) on three Shell retail forecourts in the UK. These three HRS deployments will be the first to be integrated onto forecourts in the UK under investment from OLEV (Office for Low Emission Vehicles).

"This agreement and the OLEV funding for these new refuelling stations in the South East is an important step in developing hydrogen mobility in the UK. These HRS deployments will be the first to be fully integrated on fuel forecourts"

Dr Graham Cooley
CEO, ITM Power

WORKING TOGETHER WITH BOC LINDE

BOC, the UK's largest supplier of industrial gases signed an agreement with ITM Power, to provide infrastructure for ITM Power's new electrolyser-based Hydrogen Refuelling Stations for passenger cars. This underpins ITM Power's ongoing plans to build a network of Hydrogen Refuelling Stations in the UK and demonstrates its commitment to green transport.

BOC, a member of The Linde Group, will use its specialist market knowledge to source and install the most appropriate Group technology including hydrogen compressors and dispensers. These will be installed at ITM Power's new Hydrogen Refuelling Station locations, based on its proprietary electrolyser technology. This latest siting and refuelling agreement builds on the existing successful partnership between the two companies.

"It is really exciting to be working with ITM Power to help them deliver their ambitious programme of hydrogen stations. The success of BOC's refuelling station in Aberdeen will ensure that together with ITM Power we are able to make hydrogen a reliable and accessible clean fuel for future mobility"

Dr Hamish Nichol
Innovation Manager for Hydrogen, BOC

"We are delighted to be working with BOC who have a significant leading role in the UK delivering onsite solutions for industrial and fuel gases. Onsite integrated hydrogen refuelling solutions utilising the leading edge technology of ITM Power and BOC is a world class offering"

Dr Graham Cooley
CEO, ITM Power

TOYOTA HYDROGEN FUEL AGREEMENT

ITM Power has a hydrogen fuel contract with Toyota, which will see all Toyota Mirai FCEVs supplied with three years of hydrogen included for the consumer. This agreement sees the price of hydrogen to all customers from ITM Power's public refuelling stations at £10/kg which is the lowest hydrogen price at any public refuelling station in the UK. This clearly demonstrates the economic advantages of making hydrogen on-site.

ITM Power also received the UKs first Toyota Miari Fuel Cell Electric Vehicle in October 2015. Mirai is the world's first hydrogen fuel cell saloon, benefiting from Toyota research and development into fuel cell technology spanning two decades, and world-leading experience in hybrid vehicle power systems. Using hydrogen gas to generate electricity within a fuel cell stack, Mirai produces no tailpipe emissions other than water. Spacious, refined, comfortable and safe, it combines its advanced technology with superb practicality: a full-tank driving range of around 300 miles bears comparison with a petrol-powered car and the refuelling process only takes about three minutes to complete. The UK is among the first wave of national markets in Europe for Mirai, together with Germany and Denmark.

Dr Graham Cooley, CEO, ITM Power and Dr Johan van Zyl, President and CEO Toyota Motor Europe.

HYDROGEN COMMERCIAL FLEETS

ITM Power is working with Symbio FCell and Arcola Energy to provide an integrated package of zero emission commercial vehicles, on-site fuel and after-sales support for UK commercial fleet operators. The agreement is to work together to provide fleet customers with the assurance of a one-stop complete solution including preparation, insurance, site approvals, vehicle registration and staff training.

Symbio FCell, a leading designer and manufacturer of Fuel Cell Systems and Range Extenders, has deployed the largest number of fuel cell Range Extender Electric Vehicles (REEV) in Europe with customers such as La Poste, Air Liquide and Schneider Electric. The Renault Kangoo ZE-H2 electric van with fuel cell range extender from Symbio FCell is now in series production and offers a range of over 200 miles, more than double the range of the electric-only van.

GOOD ENERGY

In May 2016, ITM Power announced that it had signed a Memorandum of Understanding with Good Energy to explore the provision of renewable energy contracts and direct coupling to renewable power generation in their portfolio for the production of hydrogen fuel across the UK.

SALE OF AN INTEGRATED REFUELLING STATION TO HYDROGÈNE DE FRANCE

In June 2016, ITM Power announced the sale of an integrated Hydrogen Refuelling Station (HRS) with on-site generation to Hydrogène de France (HDF), for deployment in France. The contract is worth €1.5m to ITM Power before follow-on contracts such as maintenance agreements. The electrolyser HRS selection was based on HDF's usual competitive tender process. The station is targeted to serve both local captive fleets of Fuel Cell Range Extender-Electric Vehicle vans with a 350bar refueling technology and Fuel Cell Electric Vehicle with 700bar refueling technology.

HDF acts as an operator of hydrogen energy to exploit the potential of hydrogen as a fuel and deploys hydrogen refuelling assets in France to prepare for future large scale deployments of fuel cell vehicles and buses. This is part of the H_2 Mobilité France consortium strategy to create and then interlink regional HRS clusters across France. HDF will be responsible for the purchase, installation, operation and maintenance of the station, as well as the preparation of the HRS site.

The HRS will be commissioned mid-2017. The electrolyser HRS will be partly funded by the European Union as part of the H2ME2, EU FCH JU funded project. As part of this project, HDF will be able to test the operation of the electrolyser in a live market to provide grid balancing services.and Denmark.

"ITM Power's skills in systems management were essential in our choice. This equipment is not only the first step in our deployment of hydrogen mobility but also a key component in our offer of grid balancing services."

Damien Havard
CEO, HDF


ITM POWER
Energy Storage | Clean Fuel
Powertech
ITM POWER
Energy Storage | Clean Fuel
HYDROGEN FUEL STATION
HYDROGEN PRODUCED
ON-SITE
ITM POWER

US REFUELLING STATION

ITM Power Inc. achieved operational status for its Riverside, California Hydrogen Fuelling Station in November 2015. This is the first electrolyser based station to achieve this status under the California Energy Commissions (CEC) 2014 funding program for hydrogen fuelling stations. The station achieved this status in less than 11 weeks from the issuance of the local permit, setting precedence for the shortest time taken to install and commission an onsite hydrogen generation fuelling station.

The next phase in the project will see ITM Power confirm station operation with fuel cell vehicle OEMs and qualify the station with the division of measurement standards in order to be able to sell fuel to the public. The station will then become officially open in the eyes of the state of California – a separate release will be issued once this milestone has been reached.

Achieving the operational status on time is significant as it ensures that ITM Power is eligible to receive the full $2,125,000 grant amount together with the maximum $300,000 O&M fund allowance over a three year period.

The State of California has an official schedule of funding and investment that will support many more stations being deployed. This is expected to continue on an annual basis in to support the California Hydrogen Infrastructure Road Map and the commercialisation of FCEVs. To date 54 stations are either built or under construction in California.

ENERGY STORAGE

POWER-TO-GAS

"Demand response is becoming increasingly important across Europe and the USA as the percentage of renewable power increases and the percentage of thermal power decreases. Commercial tenders from power companies are demanding fast response times including sub-second enhanced frequency response. Revenues from grid balancing payments serve to reduce the cost of hydrogen production via electrolysis. Faster response times will receive larger payments and set ITM Power apart from other electrolyser technologies."

Dr Graham Cooley
CEO, ITM Power

THÜGA POWER-TO-GAS

ITM Power plant continues to run successfully in the field providing Power-to-Gas energy storage in Germany. In June 2016, the Thüga Group announced that the Power-to-Gas technology is also suitable for primary balancing energy market.

- Primary grid balancing: the plant successfully concluded tests for primary grid balancing
- Economic operation: higher revenues accessible from primary grid balancing
- Smart Grid compatible: operating as part of a virtual network via a real time control unit
- Continues to exceed expectations: over two years of rigorous testing

In May this year the Thüga Group successfully subject its Power-to-Gas plant in Frankfurt to the prequalification profile for primary balancing – the so-called "duel bump test". The plant was tested to see if it meets the dynamic response requirements and accuracy for primary energy market balancing.

In order to take part in the primary balancing market the entire load being offered must be reached within 30 seconds and be continuously available for at least 15 minutes. The system was programmed and operated according to a load profile in single second resolution that reflects the frequency fluctuations in a real electricity distribution network. This operation simulated practical conditions in order to compensate for frequency variations in the electrical grid. The plant was prequalified for secondary balancing in 2015.

Two years of operation has yielded important insights for Power-to-Gas.

In 2013 Thüga's Power-to-Gas-plant was the first nationwide to use electrolysis to convert electricity into hydrogen and feed this into the gas distribution network. This deployment of PEM (Proton Exchange Membrane) electrolysis within a Power-to-Gas application was also a novel use of a PEM electrolyser.

In the energy sector itself, the plant has met with keen interest and acclaim. In 2015 the Association of Municipal Companies (VKU) presented the Thüga project partners with the Special Award for Cooperation. The jury particularly honoured the pioneering nature of the plant.

"It was the world's first of its kind, in which the technology has been put to use. A comprehensive stress test undertaken last year verified the system's efficiency of over 70 percent (based on the higher heating value). Thus, the plant has exceeded the expectations of the 13 project partners of the Thüga Group. Moreover, the plant is smart-grid compatible: With the help of a newly developed real-time control unit, working within a virtual network connecting other plant, the system intelligently modulated the differences between electricity generation and consumption. This capability is essential for the deployment of Power-to-Gas technology in storing large volumes of energy, as the technology serves its purpose only when it responds automatically to constantly changing conditions in the production and consumption of energy."

Phil Doran
Managing Director of ITM Power GmbH

"Our tests have shown that the Power-to-Gas technology is able to provide primary balancing services. These findings show that the Power-to-Gas plant could be operated economically, since the potential revenues for primary balancing are higher.

In the two years since starting up our Power-to-Gas plant, we have demonstrated the practicality of this technology."

Michael Riechel
CEO of Thüga Aktiengesellschaft

"It represents a role model for the energy sector, as the project partners have already demonstrated the integration of Power-to-Gas technology in municipal distribution networks and supports the creation of economic and political framework conditions."

Ivo Gönner
VKU President

Phil Doran, ITM Power GmbH at Thüga Power-to-Gas site, Frankfurt

RWE POWER-TO-GAS

RWE

RWE REPORTS AN ELECTROLYSER SYSTEM EFFICIENCY OF 86% WITH HEAT RECOVERY

On the 11th December 2014 ITM Power announced that it had won a competitive tender for the supply of a rapid response Power-to-Gas PEM electrolyser system issued by RWE Deutschland AG. On the 18th February 2015 the Company announced that assembly, 'factory acceptance testing' and delivery were all achieved within 10 weeks of receiving the order.

The system provided to RWE Power-to-Gas plant in Ibbenbüren, North Rhine Westphalia was launched in August 2015. The state-of-the-art plant is part of a new system that, for the first time ever, links together the supply of local electricity, natural gas and district heating. Any excess electricity from renewable sources is converted into hydrogen so it can be stored within the natural gas network. It can then be recalled from there at a later date for use in electricity production that boasts an extremely high utilisation rate. This Power-to-Gas process is seen as one of the key technologies for tomorrow's energy supply.

A significant result is that RWE has measured an overall energy efficiency of 86%.

RWE TESTS INNOVATIVE ENERGY STORAGE SOLUTION

Many representatives from government, industry, the energy sector and the scientific community travelled to Ibbenbüren to attend the official launch. Prominent guests included Garrelt Duin, NRW Minister of Economics, Energy, Industry, SMEs and the Skilled Trades, Dr Markus Pieper, member of the European Parliament, the Mayor of Ibbenbüren, Heinz Steingröver and Dr Heinrich Dornbusch, CEO of the NRW KlimaExpo initiative.

ITM Power provided the central element of the Power-to-Gas plant is an electrolyser the size of a shipping container. The electrolyser converts into hydrogen any power from renewable sources such as solar panels or wind turbines that is not immediately required. It is then injected into the natural gas network via a gas pressure regulation station where the waste heat of the electrolyser is also utilised. In times of low renewable power production, the previously stored natural gas can be siphoned off from the storage facility and used in a co-generation plant within the RWE district heating network in Ibbenbüren to generate power.

The combined heat and power generation system used there also leads to much better power utilisation thanks to this new system solution. The Power-to-Gas plant of RWE in Ibbenbüren has a rated power output of 150 kilowatts and creates hydrogen under 14-bar pressure.

As part of the commissioning ceremony, the NRW KlimaExpo initiative lauded the plant as a driving force in the battle to combat climate change. It thus qualifies as one of the recognised projects of the regional initiative, which is designed to harness additional efforts to combat climate change and draw attention to the technological and economic potential of North Rhine-Westphalia in this field.

NRW Minister of Economics Garrelt Duin and NRW KlimaExpo CEO Dr Heinrich Dornbusch both presented the highly sought-after certificate to RWE.

"Energy storage solutions will become an essential element of our future electricity system, where, according to German Government plans, in fifteen years' time, renewable energy sources will cover 50 percent of the country's power needs – or almost double the current rate. Our electricity grid will have to perform at an even higher level than before to achieve this. Under these changed conditions, the Power-to-Gas technology will be an exemplary solution, as it makes it possible for us to respond immediately to fluctuating volumes of incoming power"

Dr Arndt Neuhaus
CEO of RWE Deutschland

"In order to be able to pick up excess electricity from renewable sources onto our grid, we need alternatives to conventional grid expansion methods. This was the driving force behind our decision to embrace this new technology. The hydrogen that is created by electrolysis can be stored and later used to generate power. The benefit of this form of electricity storage is the enormous infrastructure already offered by the natural gas network – which has huge storage capacity and a high-performing network. But that is not all – with a utilisation rate of 86 percent, this Power-to-Gas plant here in Ibbenbüren is the most efficient of its kind in Germany"

Dr Joachim Schneider
CTO of RWE Deutschland

"We are delighted not only to have won the RWE tender, allowing us to deploy our second generation PEM P2G system, complete with heat recovery, but also to have subsequently worked so productively with the RWE and Westnetz teams that has made today possible. We are looking forward to continuing cooperating and learning with RWE and Westnetz as we seek to further develop our German market presence."

Phil Doran
MD, ITM Power GmbH

ZEAG SALE

In March 2016 ITM Power announced the sale of a 1MW electrolyser system with some additional equipment to ZEAG Energie AG ("ZEAG") by competitive tender. ZEAG engages in the production and supply of electric power in Germany. The company generates electricity through wind power, hydropower, photovoltaics, nuclear, fossil, and other fuels. It also supplies natural gas to industrial, commercial, and residential customers in the northeastern district of Heilbronn.

The system will comprise an electrolyser, compressor and apparatus to fill tube trailers. The electrolyser will have a nominal capacity of circa 0.9MW in normal operation with an overrun capability of 1MW. The system will be owned and operated by ZEAG but housed in a specially constructed building located at DLR (Deutsches Zentrum für Luft- und Raumfahrt), the German Aerospace Centre in Lampoldshausen. ITM Power is exploring a small further engineering consultancy contract to assist DLR with extended use of hydrogen facilities.

The system is being supplied with a two year warranty plus a five year maintenance contract. Delivery is planned for the first quarter of 2017.

"We are delighted to be working with ZEAG and DLR on this important sale for ITM Power. Germany continues to be an important early adoption market for hydrogen fuel and Power-to-Gas equipment and we look forward to updating the market in the near future on further sales."

Dr Graham Cooley
CEO, ITM Power

BIG HIT

In April 2016 ITM Power received €5m EU grant for the 'Big Hit' (Building Innovative Green Hydrogen systems in an Isolated Territory) project funded by the Fuel Cells and Hydrogen Joint Undertaking ("FCH JU"). The FCH JU selected 'Big Hit' as the only hydrogen project in its Hydrogen Territories tender to receive funding. ITM Power is the electrolyser provider and will receive €2.27m over five years.

The Orkney Islands have over 50MW of installed wind, wave and tidal capacity, generating over 46GWhr per year of renewable power, and has been a net exporter of electricity since 2013. Energy used to produce the hydrogen for 'Big Hit' will be provided by the community-owned wind turbines on Shapinsay and Eday, two of the Orkney Islands.

At present the Shapinsay and Eday turbines are often 'curtailed', losing on average more than 30% of their annual output. In addition, their electricity output is limited by grid capacity restrictions in Orkney. Production of hydrogen from this curtailed energy by electrolysis of water gives 'green' hydrogen from renewable energy sources with a very low carbon footprint.

'Big Hit' builds on foundations laid by the Orkney 'Surf 'n' Turf' initiative, which will see production of hydrogen on the islands of Eday and Shapinsay using wind and tidal energy. These are both world leading pilot and demonstration projects, which deploy a fully integrated model of hydrogen production, storage, transportation and utilisation for low carbon heat, power and transport. These projects address a number of operational and development challenges including the logistical and regulatory aspects for transport of hydrogen fuel between islands, and the orientation and familiarisation with new hydrogen building and transport technologies.

'Big Hit' will enable the deployment of 10 electric vans, which will each be fitted with a hydrogen fuel cell range extender. A Hydrogen Refuelling Station will be constructed in or near to Kirkwall at a site to be selected. The hydrogen fuel cells in these adapted vans will give them a wider range than their battery powered electric counterparts. In order to demonstrate the potential scope hydrogen also has for heat uses in Orkney, 'Big Hit' will install two hydrogen-powered boilers at suitable premises to provide zero carbon heat.

"We are really excited about the deployment of ITM Power's PEM electrolyser system on Eday. This is an innovative way to tackle the shortcomings of the local grid which is holding back marine energy in Orkney. It will allow us to not only pilot the production of hydrogen fuel from tidal energy, but will allow surplus renewable energy on the island to be used without having to rely upon the inadequate grid. We really see this as the moment we begin to break away from the shackles of a 20th Century cable architecture"

Neil Kermode
Managing Director, EMEC

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2016

FINANCIAL STATEMENTS

YEAR ENDED 30 APRIL 2016

DIRECTORS' REPORT

The Directors present their annual report on the affairs of ITM Power Plc and its subsidiaries ("the Group"), together with the financial statements and auditor's report, for the year ended 30 April 2016.

The following disclosures have been disclosed in the Strategic Report and are cross-referenced here: business review including KPIs, Principle risks and uncertainties, and future prospects.

RESEARCH AND DEVELOPMENT

During the year the Group incurred research and development related costs of £1.759m (2015 – £4.273m).

DIVIDENDS

The Directors do not recommend a dividend payment for the year (2015 – £nil).

CAPITAL STRUCTURE

Details of the Group's capital structure are provided in notes 17 and 23 to the financial statements.

DIRECTORS

The following Directors served throughout the year and subsequently, unless stated otherwise:

Dr S Bourne
Sir R Bone
Dr G Cooley
Lord R Freeman
P Hargreaves
R Pendlebury (appointed 4 June 2015)
Dr R Smith (appointed 16 September 2015)
R Putnam

DIRECTORS' REPORT

The Directors who served during the year and their interests in the shares of ITM Power Plc (including those of their spouse or civil partner and children under the age of 18) were as follows.

	Ordinary shares of 5p each At 30 April 2016	Ordinary shares of 5p each At 30 April 2015
Dr S Bourne	326,830	326,830
Dr G Cooley	811,256	377,923
Dr R Smith	80,886	92,142
Lord R Freeman	5,000	5,000
P Hargreaves	22,908,643	14,908,643
Sir R Bone	67,000	67,000
R Putnam	27,129	27,129
R Pendlebury	12,261	10,300

(Continued overleaf)

DIRECTORS' REPORT

DIRECTORS' INDEMNITIES

The Company has made qualifying third party indemnity provisions for the benefit of its Directors, which were made during a preceding year and remain in force at the date of this report.

SUPPLIER PAYMENT POLICY

The Group's policy is to settle terms of payment with suppliers when agreeing the terms of each transaction, ensure that suppliers are made aware of the terms of payment and abide by the terms of payment. Trade creditors of the Group at 30 April 2016 were equivalent to 34 (2015 – 44) days' purchases, based on the average daily amount invoiced by suppliers during the year.

CHARITABLE AND POLITICAL CONTRIBUTIONS

During the year, the Group made no charitable or political donations (2015 – £nil).

SUBSTANTIAL SHAREHOLDINGS

On 30 April 2016 the Company had been notified, in accordance with chapter 5 of the Disclosure and Transparency Rules, of the following voting rights as a shareholder of the Company.

Name of holder	Percentage of voting rights and issued share capital	Number of ordinary shares
P Hargreaves	10.6%	22,908,643*
Allianz Global Investors	9.8%	21,149,289
JCB Research	8.9%	19,205,660
D J Highgate	4.2%	9,059,899
Herald Investment Management	3.6%	7,851,843
J A Lloyd	3.2%	7,020,110

* of this total 3,439,000 are held by a discretionary trust on behalf of the shareholder.

DIRECTORS' REPORT

DISABLED EMPLOYEES

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

EMPLOYEE CONSULTATION

The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Group. This is achieved through formal and informal meetings, the company magazine and a special edition for employees of the annual financial statements. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

KEY EMPLOYMENT POLICIES

We have consistently sought to recruit and retain the best employees in our sector and this has contributed to the advancement and successes of the products we manufacture. We also recognise the importance of employee retention and we offer our staff benefits including childcare vouchers and a cycle purchase scheme as well as formal training relevant to the employee's role. We believe this maintains high levels of employee satisfaction and motivation. In addition to on-the-job training, nine employees were working towards a formal qualification in the past year.

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; and
- the Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them as auditor will be proposed at the forthcoming Annual General Meeting.

Approved by the Board and signed on its behalf by:

Dr. Simon Bourne
Director

Date: 28 July 2016

CORPORATE GOVERNANCE REPORT

PRINCIPLES OF CORPORATE GOVERNANCE

ITM Power Plc (the "Company") is committed to high standards of Corporate Governance. The Board is accountable to the Company's shareholders for good governance in its management of the affairs of the Group. The Directors acknowledge the importance of the principles of corporate governance contained in the UK Corporate Governance Code. As an AIM quoted company, ITM Power is not obliged to comply with the full requirements of the UK Corporate Governance Code; however, the Board intends to comply with its main provisions as far as reasonably practicable having regard to the size of the Group.

The Board recognises the importance to shareholders of Corporate Governance disclosure and to this end the Company has developed a set of disclosures that it feels are consistent with the Group's size and the constitution of the Board and intends to continue to develop these disclosures as the Group grows.

The Directors intend to comply with Rule 21 of the AIM Rules relating to Directors' dealings as applicable to AIM companies and will also take all reasonable steps to ensure compliance by the Group's applicable employees.

THE BOARD

The Board currently comprises the following members who are also members of the following committees of the Board:

Director	Role	Remuneration Committee	Audit Committee	Nominations Committee	Executive Committee	Manufacturing & Engineering Committee
Dr S Bourne	Chief Technology Officer				•	•
Dr G Cooley	Chief Executive Officer			•	•	
Dr R Smith	Executive Director				•	
The Rt Hon Lord R Freeman	Non- Executive Director	•	•			
Mr P Hargreaves	Non- Executive Director	•	•	•		
Prof R Putnam	Non- Executive Chairman	•	•	•	•	
Sir R Bone	Non- Executive Director	•	•			
Mr R Pendlebury	Non- Executive Director	•				•

CORPORATE GOVERNANCE REPORT

BALANCE OF THE BOARD

ITM Power Plc has a separate Chairman and Chief Executive Officer, each having his own separate responsibilities. The Chairman is responsible for the effective working of the Board and the Chief Executive Officer is responsible for all operational matters and the financial performance of the Group. The Board is balanced, both numerically and in experience, with the intention that no individual or small group of individuals should be able to dominate decision-making. The Board has not appointed a Senior Independent Director. However, any of the Non-Executive Directors are available on request as a conduit of communication to the Board in the event that the Chairman and/or the Chief Executive Officer are not appropriate conduits for shareholder concerns and issues.

MATTERS RESERVED TO THE BOARD'S ATTENTION

The Board has a formal schedule of matters reserved for its decision covering the following areas:

- Management structure and appointments;
- Strategic/Policy considerations;
- Material transactions;
- Finance; and
- General governance and capital matters.

COMMITTEES

The Board operates through clearly identified Board committees to which it delegates certain powers. These are the Remuneration Committee, the Audit Committee, the Nominations Committee and the Executive Committee. They are properly authorised under the constitution of the Company to take decisions and act on behalf of the Board within the guidelines and delegations laid down by the Board. The Board is kept fully informed of the work of these committees and each committee has access and support from the Company Secretary. Any issues requiring resolution are referred to the full Board. A summary of the operations of these Committees is set out below.

The Remuneration Committee's role is to determine and recommend to the Board the terms and conditions of service, the remuneration and grant of options to Executive Directors under the EMI scheme adopted by the Company.

The Audit Committee's primary responsibilities are to monitor the quality of internal control, ensuring that the financial performance of the Company is properly measured and reported on and for reviewing reports from the Company's auditor relating to its accounting and internal controls in all cases having due regard to the interests of the shareholders.

The Nominations Committee leads the process for Board appointments. It vets and presents to the Board potential new Directors, particularly Non-Executives. All new appointees undergo a rigorous nomination process before the Board agrees on their appointment.

The Executive Committee comprises Prof. Roger Putnam as Chairman, Dr Graham Cooley (CEO) and Dr Simon Bourne (CTO). The Committee regularly meets to consider business development, management issues and the financial performance of the Company.

The Manufacturing & Engineering committee comprises Robert Pendlebury, Simon Bourne and technical staff from departments within the company. The primary responsibilities of the committee is to review the Company's product portfolio and development plans and assess the cost composition of the product portfolio and the suitability of existing process to satisfy anticipated market developments.

A copy of the Terms of Reference for these committees and the terms of appointment of each of the Non-Executive Directors can be obtained by contacting the Company Secretary at the Company's Head Office.

In addition, the Board receives reports and recommendations from time to time on matters, which it considers significant to the Group.

CORPORATE GOVERNANCE REPORT

BOARD MEETINGS

The Board scheduled 3 regular meetings in the year ended 30 April 2016 and 3 additional meetings were convened when required. The table below shows the attendance of Directors at regular Board meetings and at meetings of the Committees during the year.

The Board is supplied in a timely manner with information in a form and of a quality appropriate to enable it to discharge its duties.

	Board Meetings	Remuneration Committee	Audit Committee	Manufacturing and Engineering Committee
No. of meetings held	6	1	2	3
Non-Executive Directors				
The Rt Hon Lord R Freeman	4	1	2	–
Mr P Hargreaves	3	1	–	–
Prof. R Putnam (Chairman)	6	1	2	–
Sir R Bone	5	1	2	–
Mr R Pendlebury	6	–	–	3
Executive Directors				
Dr S Bourne	6	–	–	3
Dr R Smith	5	–	–	–
Dr G Cooley	6	–	–	–

BOARD PERFORMANCE APPRAISAL

With the full support of the Board, the Chairman leads an evaluation of the performance of the Board and its Committees on a yearly basis. The last review concluded that the Board and its Committee are currently effective and each Director continues to demonstrate commitment to their role.

RE-ELECTION OF DIRECTORS

New Directors are subject to election at the first Annual General Meeting of the Company following their appointment. In addition, all Directors who have been in office for three years or more since their election or last re-election are required to submit themselves for re-election at the Annual General Meeting of the Company. At each Annual General Meeting of the Company all those Non-Executive Directors who have been in office for nine years or more since the date on which they were originally elected as a Non-Executive Director of the Company are required to retire from office, but may stand for re-appointment.

BOARD INDEPENDENCE

The Board recognises that Peter Hargreaves' shareholding is a factor which, under the UK Corporate Governance Code, may appear to impair his independence. However, the Board considers all the Non-Executive Directors to be independent in character and judgement. The Non-Executive Directors have provided excellent independent advice and challenge throughout the year. In concluding that all its Non-Executive Directors are independent the Company considered, inter-alia, the fact that all of the Non-Executive Directors are Directors of other corporations and are not reliant on any shares or share options they hold in, or income they receive from, ITM Power Plc.

CORPORATE GOVERNANCE REPORT

INTERNAL CONTROL AND RISK MANAGEMENT

The Board is responsible for the Group's system of internal control. Such a system can only be designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable, and not absolute, assurance against material misstatement or loss. Whilst it would not be practical for the Group, given its size, to maintain a dedicated Internal Audit function the Group maintains an open culture where control weaknesses can be reported directly to senior management at any point. The Group also has in place the appropriate culture to deal with the identification, assessment and management of major business risks through the regular communication of senior management.

RELATIONS WITH SHAREHOLDERS

The Company values the views of shareholders and recognises their interests in the Group's strategy and performance.

Overall responsibility for ensuring that there is effective communication with investors and that the Board understands the views of major shareholders rests with the Chief Executive Officer, who makes himself available to meet shareholders for this purpose. Press coverage packs and analyst notes are made available to the Board at each regular Board meeting. The Chief Executive Officer is often accompanied at investor presentations by either the Chairman or the Chief Financial Officer. Shareholder communication is mainly coordinated by the company's Corporate Communications Consultants, Tavistock Communications Limited. ITM Power is committed to maintaining a good dialogue with shareholders through proactively organising meetings and presentations with fund managers, retail brokers and analysts, as well as responding to a wide range of enquiries. The Company also recognises the importance of communicating appropriately any significant company developments, this is done via the Stock Exchange Regulatory News Service that can be accessed through the Company's new web site.

The Company reports to shareholders twice a year. The report and accounts are available on the Company's website: www.itm-power.com. All shareholders are encouraged to attend the Company's Annual General Meeting, at which the Chairman gives an account of the progress of the business over the year and provides the opportunity for shareholders to ask questions. The Board attends the meeting and is available to answer questions from shareholders present.

In all communications and events, care is taken to ensure that no price sensitive information is released and that any price sensitive information is released to all shareholders at the same time in accordance with AIM Rules.

AUDITOR INDEPENDENCE

The Company seeks to ensure the independence of its Auditor by limiting the non-audit work it performs. The Company uses a range of advisors to give specialist advice in relevant areas.

DIRECTORS' RESPONSIBILITIES STATEMENT

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of IAS regulation and have elected to prepare the parent company financial statements in accordance with UK accounting standards including FRS101 "reduced disclosure framework". Under company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing the parent company financial statements, the Directors are required to:

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

In preparing the Group financial statements, International Accounting Standard 1 requires that 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 are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

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

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

RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with International Financial Reporting Standards 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 includes 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 that they face; and
- the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the company's performance, business model and strategy.

This responsibility statement was approved by the board of Directors on 28 July 2016 and is signed on its' behalf by Dr. Simon Bourne, Chief Technology Officer.

INDEPENDENT AUDITOR REPORT TO THE MEMBERS OF ITM POWER PLC

Matthew Hughes BSc (Hons) ACA
(Senior Statutory Auditor)

For and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor

Leeds, United Kingdom

Date: 28 July 2016

We have audited the financial statements of ITM Power Plc for the year ended 30 April 2016 which comprise the Consolidated Statement of Comprehensive Income; the Consolidated and Parent Company Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated and Parent Company Statements of Changes in Equity and the related notes 1 to 33. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

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, 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.

INDEPENDENT AUDITOR REPORT TO THE MEMBERS OF ITM POWER PLC (Contd.)

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 30 April 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 United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

SEPARATE OPINION IN RELATION TO IFRSS AS ISSUED BY THE IASB

As explained in Note 3 to the Group financial statements, the Group in addition to applying IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the Group financial statements comply with IFRSs as issued by the IASB.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion 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.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 30 APRIL 2016

	Note	2016	2015
		£'000s	£'000s
Revenue	5	1,930	1,635
Cost of Sales		(1,483)	(1,045)
Gross profit/(loss)		**447**	**590**
Operating Costs			
Research and development		(1,952)	(4,322)
Prototype production and engineering		(2,954)	(1,141)
Sales and marketing		(1,364)	(719)
Administration		(1,724)	(1,908)
Other Operating Income			
Grant income	5	3,188	1,777
Loss from operations		**(4,359)**	**(5,723)**
Investment revenues	5	–	12
Loss before tax		**(4,359)**	**(5,711)**
Tax	8	**359**	**84**
Loss for the year, being total comprehensive expense for the year	6	**(4,000)**	**(5,627)**
Other Total Comprehensive Income:			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation differences on foreign operations		(62)	116
Net other total comprehensive income		(62)	116
Total comprehensive loss for the year		**(4,062)**	**(5,511)**
Loss per share			
Basic and diluted	9	(2.0p)	(3.4p)

All results presented above are derived from continuing operations and are attributable to owners of the Company.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Called-up share capital	Share premium account	Merger reserve	Foreign Exchange reserve	Retained loss	Total equity
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
At 1 May 2014	8,093	50,703	(1,973)	–	(45,823)	11,000
Issue of shares	812	4,035	–	–	–	4,847
Credit to equity for share-based payments	–	–	–	–	8	8
Loss for the year	–	–	–	–	(5,627)	(5,627)
Other comprehensive income for the period	–	–	–	116	–	116
At 30 April 2015	**8,905**	**54,738**	**(1,973)**	**116**	**(51,442)**	**10,344**
At 1 May 2015	8,905	54,738	(1,973)	116	(51,442)	10,344
Issue of shares	1,940	3,413	–	–	–	5,353
Loss for the year	–	–	–	–	(4,000)	(4,000)
Other comprehensive income for the period	–	–	–	(62)	–	(62)
At 30 April 2016	**10,845**	**58,151**	**(1,973)**	**54**	**(55,442)**	**11,635**

CONSOLIDATED BALANCE SHEET

	Note	2016	2015
		£'000s	£'000s
Non-Current Assets			
Development costs	**11**	**252**	**–**
Property, plant and equipment	**10**	**3,024**	**2,546**
		3,276	2,546
Current Assets			
Inventories	13	291	512
Trade and other receivables	15	6,487	4,113
Cash and cash equivalents	15	3,336	6,576
Total Current Assets		**10,114**	**11,201**
Current Liabilities			
Trade and other payables	16	(1,755)	(3,295)
Provisions	17	–	(108)
Total Current Liabilities		**(1,755)**	**(3,403)**
Net Current Assets		**8,359**	**7,798**
Net Assets		11,635	10,344
Equity			
Called-up share capital	18	10,845	8,905
Share premium account		58,151	54,738
Merger reserve		(1,973)	(1,973)
Foreign exchange reserve		54	116
Retained loss		(55,442)	(51,442)
Total Equity		**11,635**	**10,344**

The financial statements of ITM Power Plc, registered number 05059407, were approved by the Board of Directors and authorised for issue on 28 July 2016

Signed on behalf of the Board of Directors

Dr. Simon Bourne
Director

CONSOLIDATED CASH FLOW STATEMENT

	Note	2016	2015
		£'000s	£'000s
Net Cash Used in Operating Activities	19	(7,098)	(6,684)
Investing Activities			
Investment Income received		–	12
Purchases of property, plant and equipment		(3,315)	(3,119)
Capital Grants received against purchases of property plant and equipment		2,148	1,649
Payments for intangible assets		(252)	–
Net cash (used in) / from investing activities		**(1,419)**	**(1,458)**
Financing Activities			
Issue of ordinary share capital		5,819	4,847
Costs associated with fund raise		(466)	-
Net cash from financing activities		**5,353**	**4,847**
(Decrease)/Increase in cash and cash equivalents		**(3,164)**	**(3,295)**
Cash and cash equivalents at the beginning of year		**6,576**	**9,763**
Effect of foreign exchange rate changes		(76)	108
Cash and cash equivalents at the end of year		**3,336**	**6,576**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

ITM Power Plc is a company incorporated in England and Wales under the Companies Act 2006. The registered office is at 22 Atlas Way, Sheffield, South Yorkshire S4 7QQ. The nature of the Group's operations and its principal activities are disclosed in the Directors' Report.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Group operates.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied a number of amendments to IFRSs issued by the International Accounting Standards Board ("IASB") that are mandatorily effective for an accounting period that begins on or after 1 January 2015 (except as noted below). Their adoption has not had any material impact on the disclosures or on the amounts reported in the Consolidated Financial Statements.

- Annual Improvements to IFRSs 2010 – 2012 Cycle. The amendments are effective in the EU for accounting periods beginning on or after 1 February 2015. However, earlier application is permitted so that companies applying IFRSs, as adopted in the EU, are able to adopt the amendments in accordance with the IASB effective date of 1 July 2014. The majority of the amendments are in the nature of clarifications rather than substantive changes to existing requirements. However, the amendments to IFRS 8 – "Operating Segments" – Aggregation of operating segments, and IAS 24 – "Related Party Disclosures" – Key management personnel represent changes to existing requirements. The amendments to IFRS 8 require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have similar economic characteristics. The amendments to IAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity must disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management. The application of the amendments has had no material impact on the disclosures or on the amounts recognised in the Group's Consolidated Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The following standards and amendments to standards are in issue but not yet effective, and have not yet been adopted by the EU, and therefore have not been applied in the Group's Consolidated Financial Statements.

- IFRS 9 – "Financial Instruments;"
- IFRS 15 – "Revenue from Contracts with Customers;"
- IFRS 11 (amendments) – "Accounting for Acquisitions of Interests in Joint Operations;"
- IAS 1 (amendments) – "Disclosure Initiative;"
- IAS 16 and IAS 38 (amendments) – "Clarification of Acceptable Methods of Depreciation and Amortisation;"
- IAS 16 and IAS 41 (amendments) – "Agriculture: Bearer Plants;"
- IAS 27 (amendments) – "Equity Method in Separate Financial Statements;"
- IFRS 10 and IAS 28 (amendments) – "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture;"
- IFRS 10, IFRS 12 and IAS 28 (amendments) – "Investment Entities: Applying the Consolidation Exemption;"
- Annual Improvements to IFRSs: 2012-2014 Cycle – "Amendments to: IFRS 5 – "Non-current Assets Held for Sale and Discontinued Operations", IFRS 7 – "Financial Instruments: Disclosures," IAS 19 – "Employee Benefits" and IAS 34 – "Interim Financial Reporting;"
- IFRS 14 – "Regulatory deferral accounts;"
- IFRS 16 – "Leases;"
- IAS 12 (amendments) – "Income Taxes;" and
- IFRIC 21 – "Levies."

The Directors do not expect that the adoption of the Standards listed above will have a material impact on the Financial Statements of the Group in future periods, except that IFRS 9 and IFRS 16 will impact both the measurement and disclosures of financial instruments and IFRS 15 may have an impact on revenue recognition and related disclosures .Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of IFRS 9, IFRS 15 and IFRS 16 until a detailed review has been completed.

These standards have not had a material impact on the Consolidated Financial Statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have also been prepared in accordance with International Financial Reporting Standards (IFRSs). The financial statements have also been prepared in accordance with IFRSs adopted by the European Union and therefore the Group financial statements comply with Article 4 of the EU IAS Regulation.

Going Concern

The Directors have prepared a cash flow forecast for the period ending 31 August 2017. This forecast indicates that the company and group will remain cash positive without the requirement for further funding, for a period of at least 12 months from the date of approval of these financial statements. The forecast includes certain assumptions, in particular in respect of the level and timing of projected sales and grant cash inflows, which are inherently uncertain; the Directors believe that the level and timing of the projected sales represent a prudent estimate, with the current sales pipeline providing potential upside. Notwithstanding these uncertainties, the Directors have a reasonable expectation that the company and group will be able to meet their obligations as they fall due, for the foreseeable future.

Accordingly, the financial statements have been prepared on a going concern basis.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 30 April each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

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

Revenue Recognition

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

Sale of Goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of Services

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows:

- installation fees are recognised by reference to the stage of completion of the installation, determined as the proportion of the total time expected to install that has elapsed at the balance sheet date;
- servicing fees included in the price of products sold are recognised by reference to the proportion of the total cost of providing the service for the product sold, taking into account historical trends in the number of services actually provided on past goods sold; and
- revenue from time and material contracts is recognised at the contractual rates as labour hours are delivered and direct expenses incurred.

Construction Contracts

When the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date. This is normally measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred where it is probable they will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as the amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated balance sheet, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated balance sheet under trade and other receivables.

Grants

Government and other grants are included in other operating income in the period that the expenditure to which they relate is incurred, unless relating to property, plant and equipment.

Government and other grants relating to property, plant and equipment are netted against the cost of the assets acquired.

Leasing

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the term of the relevant lease.

Foreign Currencies

The individual financial statements of each group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group company are expressed in pounds sterling, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into to hedge certain foreign currency risks (see below under financial instruments / hedge accounting); and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

Taxation

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

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

Research and development tax credits are recognised on an accruals basis.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities, and when they relate to income taxes levied by the same taxation authority, and the Group intends to settle its current tax assets and liabilities on a net basis.

Property, Plant and Equipment

Leasehold improvements, laboratory & test equipment, production plant & equipment, computer equipment and office furniture & fittings are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction, over their estimated useful lives, using the straight-line method, on the following bases:

Leasehold improvements	4 years or the remainder of the lease term, if shorter
Laboratory and test equipment	4 to 6 years
Production plant and equipment	4 years
Computer equipment	3 years
Office furniture and fittings	4 years
Motor vehicles	3 years

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

Assets in the course of construction are carried at cost, less any recognised impairment loss. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Internally Generated Intangible Assets – Research and Development Expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred, except where the costs of activities are considered development for the purposes of capitalising development costs.

An internally generated intangible asset arising from the Group's product development is recognised only if all of the following conditions are met:

- an asset is created that can be identified (such as software and new processes);
- it is probable that the asset created will generate future economic benefits;
- the development cost of the asset can be measured reliably; and
- the technical feasibility of the product can be demonstrated.

Internally generated intangible assets are amortised on a straight-line basis over their useful lives. Where no internally generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred. It is considered that the useful economic lives of internally generated assets is four years, in line with expected product life cycles as the company develops new products.

Impairment of Tangible and Intangible Assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). 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 (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (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 (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

The useful economic life of the intangible assets will be four (4) years from the point of it first being used, and it will be amortised on a straight line basis.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the "first in first out" (FIFO) method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Financial Instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Trade and Other Receivables

Trade and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as receivables. Receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Trade receivables do not carry any interest and are stated at their nominal value. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired.

Impairment of Financial Assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Investments – Short-term Deposits

Short-term deposit investments comprise short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand and on demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Financial Liabilities and Equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Trade Payables

Trade payables are not interest bearing and are stated at their nominal value.

Equity Instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that the Group will be required to settle that obligation, and that a reliable estimate can be made of the amount of that obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

Share-based Payments

The Group has applied the requirements of IFRS 2 Share-based Payments. In accordance with the transitional provisions, IFRS 2 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as of 1 May 2006, which was the Group's date of transition to IFRS.

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest. Fair value is measured using a Black-Scholes options pricing model.

Pension Costs

The Group operates a defined contribution pension scheme. The amount charged to the income statement in respect of pension costs is the contributions actually payable in the year. Differences between the contributions actually payable and those paid are shown as accruals or prepayments in the consolidated balance sheet.

Warranties

Provisions for the expected cost of warranty obligations under local sale of goods legislation are recognised at the date of sale of the relevant products, at the Directors' best estimate of the expenditure required to settle the Group's obligation.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical Judgements in Applying the Group's Accounting Policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Going Concern

The Directors are required to assess whether it is appropriate to prepare the financial statements on a going concern basis. Their assessment of the going concern basis is set out in note 3.

Capitalisation of development costs

As described in note 3, the Group capitalises development costs which meet certain recognition criteria, in accordance with IAS 38 'Intangible assets'. In making its judgement, management has considered the detailed criteria for recognition and concluded that development costs in the current year met the criteria for capitalisation, and so were recognised on the balances sheet.

The impairment is reviewed by examining the future commerciality of the developments that have been capitalised to consider whether the carrying value is still appropriate.

Key Sources of Estimation Uncertainty

Construction contracts - costs to complete and revenue recognition

For construction contracts in progress at the year end, the Directors are required to assess the costs to complete, in order to estimate the percentage of completion which, in turn, determines the amount of revenue to be recognised. The actual costs may differ to the estimated costs and any adjustments arising will be made in future periods.

Recoverabilty of debtors

Subsequent to the year end, ITM Power Inc. has, a debtor that is long overdue regarding a contract for the delivery of a refuelling unit in California. At this stage, the Directors believe the debtor is recoverable.

Carrying value of assets under construction

The Group have a portfolio of assets under construction, which are reviewed for impairment based on what other units have sold for commercially. However, as there is an element of differentiation between units this requires an area of judgement. At the year end the management of the company reviewed the assets and decided that there was no impairment

5. REVENUE, OTHER OPERATING INCOME AND INVESTMENT INCOME

The Group adopted IFRS 8 Operating Segments with effect from 1 May 2009. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Chief Operating Decision Maker to allocate resources to the segments and to assess their performance.

ITM Power Plc is organised internally to report to the Group's Chief Operating Decision Maker, the Chief Executive Officer, on the financial and operational performance of the Group as a whole. The Group's Chief Operating Decision Maker is ultimately responsible for entity-wide resource allocation decisions and evaluates the performance of the Group on a group wide basis and any elements within it on a combination of information from the executives in charge of the Group and Group financial information.

As a consequence of the above factors the Group has one operating and reportable segment in accordance with IFRS 8 Operating Segments.

Revenues are generated in the United Kingdom, the United States and Germany. In each of the geographical locations the company has subsidiary trading companies. The United Kingdom is the Group's country of domicile and all non-current assets were domiciled in the United Kingdom.

Included in revenue are the following amounts, which each accounted for more than 10% of total revenue:

- Customer A £1,703,000 (2015: Customer A £878,000; Customer B £569,000)

An analysis of the Group's revenue is as follows:

	2016	2015
	£'000s	£'000s
Continuing Operations		
Revenue from construction contracts	1,703	1,539
Consulting services	67	51
Maintenance services	50	32
Other	110	13
Revenue in the Consolidated Income Statement	**1,930**	**1,635**
Grant income	3,188	1,777
Investment income	–	12
	5,118	**3,424**

Revenues from Major Products and Services

The Group's revenues from its major products and services were as follows:

	2016	2015
	£'000s	£'000s
Continuing Operations		
Electrolyser platform sales	1,759	1,571
Consultancy	67	51
Other	104	13
Consolidated revenue (excluding investment revenue)	**1,930**	**1,635**

Geographic Analysis of Revenue

A geographic analysis of the Group's revenue is set out below:

	2016	2015
	£'000s	£'000s
United Kingdom	1,853	261
Rest of Europe	77	678
North America	–	696
	1,930	**1,635**

6. LOSS FOR THE YEAR

	2016	2015
	£'000s	£'000s
Loss For The Year Has Been Arrived at After Charging (Crediting)		
Net foreign exchange losses	42	86
Depreciation of property, plant and equipment	619	592
Research and Development costs	1,951	4,322
Loss on disposal of property, plant and equipment	70	87
Rentals Under Operating Leases		
Land and buildings	189	154
Government grants receivable	(3,188)	(1,777)
Staff costs (see note 7)	3,825	3,714
Cost of inventories recognised as an expense	108	262

The Following Amounts Payable to the Group's Auditor Have Been Charged Within the Loss Before Tax		
Fees payable to the Company's auditor for		
– The audit of the Company's annual accounts	24	30
– The audit of the Company's subsidiaries pursuant to legislation	25	24
Total audit fees	**49**	**54**
Other services pursuant to legislation		
– Interim review work	19	22
– Tax services	11	10
Total non-audit fees	**30**	**32**

7. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

Name of Director	Fees/Basic salary	Benefits in kind	Annual bonuses	Pension contributions	2016	2015
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Executive						
Dr S Bourne	144	–	37	7	188	158
Dr G Cooley	175	–	120	28	323	318
Dr R Smith	87	–	–	5	92	–
Non-Executive						
P Hargreaves	45	–	–	–	45	45
Prof. R Putnam	150	–	–	–	150	132
Lord Freeman	35	–	–	–	35	35
B Pendlebury	–	–	–	–	–	–
R Bone	35	–	–	–	35	38
Aggregate emoluments	**671**	**–**	**157**	**40**	**868**	**726**

Details of options for Directors who served during the year are as follows:

Name of Director	Scheme	1 May 2014	Granted	30 April 2015	Exercise price £'000	Date from which exercisable	Expiry date
Dr S Bourne	EMI	200,000	02/02/2010	200,000	18p	02/02/2014	02/02/2020
Dr S Bourne	EMI	123,596	24/01/2011	123,596	67p	24/01/2011	23/01/2021
Dr S Bourne	Unapproved	276,404	24/01/2011	276,404	67p	24/01/2011	23/01/2021
Dr S Bourne	Unapproved	100,000	01/08/2012	100,000	50p	06/08/2015	05/08/2024
Dr S Bourne	Unapproved	250,000	06/08/2015	250,000	26p	01/08/2012	31/07/2022
Dr G Cooley	Unapproved	200,000	29/06/2009	200,000	18p	29/06/2012	29/06/2019
Dr G Cooley	Unapproved	360,000	02/02/2010	360,000	18p	02/02/2014	02/02/2020
Dr G Cooley	EMI	640,000	02/02/2010	640,000	18p	02/02/2014	02/02/2020
Dr G Cooley	Unapproved	800,000	24/01/2011	800,000	67p	24/01/2011	23/01/2021
Dr G Cooley	Unapproved	250,000	19/07/2012	250,000	50p	19/07/2012	18/07/2022
Dr G Cooley	Unapproved	750,000	06/08/2015	750,000	26p	06/08/2015	05/08/2024
Prof. R Putnam	Unapproved	50,000	23/11/2009	50,000	20p	23/11/2010	23/11/2019
Prof. R Putnam	Unapproved	100,000	24/01/2011	100,000	67p	24/01/2011	23/01/2021
Lord R Freeman	Unapproved	50,000	08/08/2011	50,000	31p	08/08/2012	07/08/2021
Dr R Smith	EMI	100,000	29/04/2010	100,000	24p	29/04/2013	29/04/2020

On 29 January 2010 the Group introduced a new EMI and Unapproved Share Option Scheme to be applied to all subsequent issues of share options. Under the scheme rules the exercise price is deemed to be the mid-market price of shares on the London Stock Exchange AIM market at the close of trading on the day before the grant of the share options. Share options vest in three equal instalments on the first, second and third anniversaries of the grant and are exercisable up to the tenth anniversary of the grant.

There were no LTIP awards granted or vested in the year for Directors.

Directors' Emoluments	2016	2015
	£'000s	£'000s
Aggregate emoluments	828	692
Money purchase pension contributions	40	34
	868	**726**

Two Directors were members of money purchase schemes during the year (2015 – 2).

Remuneration of the highest paid Director		
Aggregate emoluments	295	290
Money purchase pension contributions	28	28
	323	**318**

Average number of persons employed	Number	Number
– Research and development	17	49
– Prototype production and engineering	32	4
– Sales and marketing	7	4
– Administration	10	15
	66	**72**

Staff costs during the year (including Directors)	£'000s	£'000s
Wages and salaries	3,306	3,205
Social security costs	354	356
Other pension costs	165	153
	3,825	**3,714**

As at 30 April 2016 pension contributions of £20,000 (2015 – £nil) due in respect of the current year had not been paid over to the scheme.

8. TAX

	2016	2015
	£'000s	£'000s
UK Corporation Tax		
UK Corporation tax credits for the year	359	84
Adjustments in respect of previous periods	359	84
	(359)	**(84)**

The differences between the total current tax shown above and the amount calculated by applying the blended rate of UK corporation tax to the loss before tax is as follows:

	£'000s	£'000s
Loss before tax	(4, 359)	(5,711)
Tax on loss at blended standard UK corporation tax rate of 20% (2015 – 21.9%)	872	1,199
Factors Affecting Credit for the Year		
Expenses not deductible for tax purposes	(21)	(19)
Depreciation in excess of capital allowances	(114)	(124)
Short-term timing differences	–	6
Research and development enhanced relief	359	84
Research and development tax credit	–	(84)
Unrelieved tax losses carried forward	(737)	(978)
Adjustments in respect of previous periods	359	84
Tax credit for the year	**(359)**	**(84)**

Factors Affecting Future Tax Charges

The company has tax losses available to carry forward against future taxable profits, subject to agreement with the HM Revenue & Customs.

A net deferred tax asset of £11.526m (2015 – £10.654m) has not been recognised as there is insufficient evidence that the asset would be recoverable in the foreseeable future. The net unrecognised deferred tax asset comprises a deferred tax asset of £9.329m (2015 – £8.592m) in respect of accumulated tax losses and £2.176m (2015 – £2.062m) in respect of decelerated capital allowances. The unrecognised deferred tax asset would be recoverable to the extent that the Company generates sufficient taxable profits in the future.

In recent years the UK Government has steadily reduced the rate of UK corporation tax, with the latest rates substantively enacted in July 2014 now standing at 21% with effect from 1 April 2015 and 20% with effect from 1 April 2016. The closing deferred tax assets and liabilities have been calculated at 20% in accordance with the rates enacted at the balance sheet date.

In the Budget on 8 July 2016, the UK Government proposed, amongst other things, to further reduce the main rate of UK corporation tax to 19% with effect from 1 April 2017 and to 18% with effect from 1 April 2020. Existing temporary differences on which deferred tax has been provided may therefore unwind in periods subject to these reduced rates. These rate changes are to be included in the Finance Bill 2016 but this has not yet been substantively enacted.

9. LOSS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

	2016	2015
	£'000	£'000
Loss		
Loss for the purposes of basic and diluted loss per share being net loss attributable to owners of the Company	(4,000)	(5,611)
Number of Shares		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	184,566,326	163,213,408

The loss per ordinary share and diluted loss per share are equal because share options are only included in the calculation of diluted earnings per share if their issue would decrease the net profit per share or increase the net loss per share.

10. PROPERTY, PLANT AND EQUIPMENT

	Production plant and equipment	Laboratory and test equipment	Computer equipment	Office furniture and fittings	Leasehold improvements	Assets in the course of construction	Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Cost							
At 1 May 2014	2,136	1,350	434	201	1,315	537	5,973
Additions	79	25	11	–	95	1,260	1,470
Disposals	(592)	(115)	(10)	–	–		(717)
At 1 May 2015	1,623	1,260	435	201	1,410	1,797	6,726
Additions	288	315	57	4	464	39	1,167
Transfers	590	–	–	–	–	(590)	–
Disposals	(89)	(1)	(1)	(2)	–	–	(93)
At 30 April 2016	**2,412**	**1,574**	**491**	**203**	**1,874**	**1,246**	**7,800**
Depreciation							
At 1 May 2014	1,378	975	373	190	1,302	–	4,218
Disposals	(512)	(108)	(10)	–	–	–	(630)
Charge for the year	383	150	31	6	22	–	592
At 1 May 2015	1,249	1,017	394	196	1,324	–	4,180
Disposals	(19)	(1)	(1)	(2)	–	–	(23)
Charge for the year	326	178	31	4	80	–	619
At 30 April 2016	**1,556**	**1,194**	**424**	**198**	**1,404**	**–**	**4,776**
Net Book Value							
At 30 April 2016	**856**	**380**	**67**	**5**	**470**	**1,246**	**3,024**
At 30 April 2015	374	243	41	5	86	1,797	2,546
At 30 April 2014	758	375	61	11	13	537	1,755

* All non-current assets are located in the United Kingdom

11. OTHER INTANGIBLE ASSETS

	Capitalised development costs	Total
	£'000s	£'000s
Cost		
At 1 May 2015	–	–
Additions	252	252
At 30 April 2016	**252**	**252**
Additions from internal development	252	252
At 30 April 2016	**252**	**252**
Amortisation		
At 1 May 2015	–	–
Charge for the year	–	–
At 30 April 2016	**–**	**–**
Carrying Amount		
At 30 April 2015	–	–
At 30 April 2016	252	252
At 1 May 2016	252	252

The amortisation period for development costs incurred on the Group's stack development is four years.

12. SUBSIDIARIES

A list of investments in subsidiaries, including the name, country of incorporation and proportion of ownership interest is given in note 29 to the Company's separate financial statements.

13. INVENTORIES

	2016	2015
	£'000s	£'000s
Work in progress	291	512

14. CONSTRUCTION CONTRACTS

	2016	2015
	£'000s	£'000s
Contracts in progress at the balance sheet date:		
Amounts due from contract customers included in trade and other receivables	–	1,044
Amounts due to contract customers included in trade and other payables	(58)	–
	(58)	1,044
Contract costs incurred plus recognised profits less recognised losses to date	1,703	1,539
Less: progress billings	(1,802)	(2,409)
	(99)	(870)

At 30 April 2016, retentions held by customers for contract work amounted to £60k (2015: £1,382k). Advances received from customers for contract work amounted to £66k (2015: £248k).

At 30 April 2016, no amounts (2015: £Nil) included in trade and other receivables and arising from construction contracts are due for settlement after more than 12 months.

15. OTHER FINANCIAL ASSETS

	2016	2015
	£'000s	£'000s
Trade and Other Receivables		
Trade receivables	1,771	2,041
Other receivables	15	629
Corporation tax	669	293
Prepayments and accrued income	4,032	1,150
	6,487	**4,113**

The Directors consider that the carrying amount of trade and other receivables approximates to their fair value. Trade receivables disclosed above are classified as loans and receivables and are therefore measured at amortised cost. There were receivables totalling £784,000 (2015 – £101,000) receivables that were past due but considered fully recoverable. There were no receivables (2015 – none) impaired.

Cash and cash equivalents
These balances comprise cash and short-term bank deposits with an original maturity of three months or less. The Directors consider that the carrying amount of these assets approximates to their fair value.

Within Cash and Cash equivalents, a balance of £2,129,000 (2015: €1,226,010) is held on guarantee for construction contracts and grants and will be released upon the completion of certain milestones, which are either technical or time-bound.

16. OTHER FINANCIAL LIABILITIES

	2015	2014
	£'000s	£'000s
Trade and Other Payables		
Trade payables	665	1,168
Other taxation and social security	197	51
Other creditors	14	–
Accruals and deferred income	879	2,076
	1,755	**3,295**

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

17. PROVISIONS

	£'000s	£'000s
Warranty provision	–	108
	–	**108**

The warranty provision represents management's best estimate of the Group's liability under 12-month warranties granted on products. It was released in the year as it had expired without being used.

	Warranty Provision	Total Provision
	£'000s	£'000s
At May 2015	108	108
Release of unused provision	(108)	(108)
At 30 April 2016	**–**	**–**

The warranty provision represents management's best estimate of the Group's liability under 12-month warranties granted on products.

The contract provision in 2014 represented the estimated future net realisable value of stock held at year end.

18. CALLED UP SHARE CAPITAL AND RESERVES

	2016	2015
	£'000s	£'000s
Trade and Other Payables		
Called up, allotted and fully paid:		
216,892,973 (2015 – 178,100,996) ordinary shares of 5p each	10,845	8,905
Authorised Share capital:		
222,630,587 shares (2015- 182,888,610) ordinary shares of 5p each	11,131	9,144

During the year the Company issued 38,791,977 ordinary shares of 5p each for a consideration of £5,819,000. Expenses in relation to the share issues, amounting to £466,000, were recognised in the share premium account.

The merger reserve arose on the acquisition of ITM Power (Research) Ltd in 2004.

19. NOTES TO THE CASH FLOW STATEMENT

	2016	2015
	£'000s	£'000s
Loss from operations	(4,359)	(5,723)
Adjustments for property, plant and equipment:		
Depreciation	619	592
Loss on disposal	67	87
Share-based payments charge	–	8
Operating cash flows before movements in working capital	(3,673)	(5,036)
Decrease in inventories	221	250
Increase in receivables	(1,998)	(3,008)
(Decrease)/ increase in payables	(1,540)	1,111
Decrease in provisions	(108)	(194)
Cash used in operations	(7,098)	(6,877)
Income taxes received	–	193
Net cash used in operating activities	**(7,098)**	**(6,684)**

20. CAPITAL COMMITMENTS

The Group had no capital commitments at the balance sheet date (2015 – none).

21. OPERATING LEASE COMMITMENTS

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Land and Buildings	
	2016	2015
	£'000s	£'000s
Expiry Date		
Within one year	162	115
Between two and five years	605	75
	767	**190**

Operating lease payments represent rentals payable by the Group for certain of its office and laboratory properties. Leases are negotiated for an average of 5 years and rentals are fixed for an average of 4 years.

22. SHARED-BASED PAYMENTS

Equity-settled share option scheme

The Group operates a number of share option schemes to provide employees and third parties with the opportunity to acquire a proprietary interest in the Company as an incentive to attract and retain their services as follows:

- Enterprise Management Incentive (EMI) options;
- Non EMI or "unapproved" options in lieu of payment for services; and
- Options under HM Revenue & Customs approved Save As You Earn scheme.

	2016		2015	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding at the beginning of the year	5,737,614	32p	4,787,614	40p
Granted during the year	–	–	1,000,000	26p
Exercised during the year	–	–	(50,000)	24p
Expired during the year	–	–	–	–
Outstanding at the end of the year	5,737,614	32p	5,737,614	32p
Exercisable at the end of the year	5,737,614	32p	5,737,614	32p

All of the Company's share option plans were issued after 7 November 2002. In accordance with IFRS 2, only those options that had not fully vested by 1 May 2006, being the Group's date of transition to IFRS, were included in the calculations.

The weighted average share price at the date of exercise for share options exercised during the period was 24p. The options outstanding at 30 April 2016 had a weighted average exercise price of 32p, and a weighted average remaining contractual life of 2 years.

The assumptions for the Black-Scholes model are as follows:

Weighted averages	2015	2014
Share price	32p	32p
Exercise price	32p	32p
Expected volatility	46%	46%
Expected life	2 years	2 years
Risk-free rate	4%	4%

Expected volatility is the annual standard deviation of the share price. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Group has recognised share-based payment expense in the income statement for the year of £nil (2015 – £8,000).

23. FINANCIAL INSTRUMENTS

Capital Risk Management

The Group raised sufficient cash through issuing one class of ordinary shares to provide the company with the means to progress through to the anticipated commercialisation of its products.

Externally Imposed Capital Requirement

The Group is not subject to externally imposed capital requirements.

Significant Accounting Policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 3 to the financial statements.

	2016	2015
Categories of financial instruments	**£'000s**	**£'000s**
Financial Assets		
Loans and receivables	5,136	9,246

Receivables are largely due from grant bodies and large organisation with a strong credit history. ITM Power do not consider there to be undue risk associated with receivables.

Financial Liabilities		
Amortised cost	877	1,219

Fair Value Measurements

As at 30 April 2016, the Group had no financial instruments that were measured at fair value through profit or loss (2015 – none). The carrying value of all financial instruments at 30 April 2016 and 30 April 2015 approximated to their fair value. Accordingly, no fair value hierarchy table has been presented.

Financial Risk Management Objectives and Policies

The Group's finance function monitors and manages the financial risks relating to the operations of the Group. The Group's activities expose it primarily to the financial risks of changes in interest rates.

The Group also receives and spends money in different currencies. Significantly, contracts are often in the currency of the customer. As such, the company has exposure to foreign exchange variation. This is naturally hedged where possible by paying for supplies in the currencies in which they are invoiced, but this does not eliminate exposure.

The Group seeks to minimise the effects of these risks. The Group's policies approved by the board of Directors provide written principles on interest rate risk and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed on a continuous basis. The Group does not currently enter into or trade financial instruments, including derivative financial instruments.

The treasury activities are reported quarterly to the Group's Board.

Credit Risk Management

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties. The credit risk of liquid funds (cash, cash equivalents and short-term deposits) is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Liquidity and Interest Risk Management

The Group is exposed to the interest rate risks associated with its holdings of cash and cash equivalents and short-term deposits. The Group invests its excess cash in fixed interest short-term deposits with maturity profiles up to one year.

Ultimate responsibility for liquidity risk management rests with the board of Directors, which regularly monitors the Group's short, medium and long-term funding, and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and banking facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Foreign Currency Risk Management

The Group does not hedge its exposure of foreign investments held in foreign currencies. The monetary assets and liabilities of the Group are only held in the functional currencies of the Group.

The table below shows the Group's currency exposure. Such exposure comprises the monetary assets and monetary liabilities that are not denominated in the functional currency of the operating unit involved. The Group's exposure to currency risk predominately arises on borrowings denominated in currencies other than the functional currency of the operating unit excluding intercompany balances. At 30 April 2016, these exposures were as follows:

	Liabilities		Assets	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
EURO	62	401	1,779	809
USD	41	801	4	1,154
SEK	–	9	28	–
	103	**1,211**	**1,811**	**1,963**

Foreign Currency Sensitivity Analysis

The table below assumes an increase/decrease of 10% change of the Euro to Pound Sterling exchange rate and a decrease/ increase of 10% change of the US Dollar to Pound Sterling exchange rate. The sensitivity analysis is based on the subsidiaries' profit or loss for the year and the net assets or net liabilities held at the balance sheet date, excluding intercompany balances and intangible assets held at the date of acquisition of the Group by ITM Power Plc.

	EURO impact		USD impact	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Profit or loss	16	39(i)	20	30(ii)

(i) This is mainly attributable to the exposure outstanding on Euro to Pound Sterling receivables and payables in the Group at the balance sheet date.

(ii) This is mainly attributable to the exposure to outstanding US Dollars to Pound Sterling receivables and payables at the balance sheet date.

If interest rates had been 1% higher/lower and all other variables had remained constant, loss for the year would have decreased/increased by £36,000 (2015 – £25,000).

The Group's financial liabilities consist of trade and other payables as shown on the balance sheet. No interest is paid on these balances and all amounts are due within 3 months.

Fair Value of Financial Instruments

Carrying amounts of financial instruments are a reasonable approximation of the fair values of those instruments.

24. TRANSACTIONS WITH RELATED PARTIES

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

The remuneration of the Directors, who are the key management personnel of the Group, is shown in note 7.

The Company operates a defined contribution pension scheme that is administered by Hargreaves Lansdown. Peter Hargreaves is a shareholder in Hargreaves Lansdown.

25. CONTROLLING PARTY

As at the date of these accounts neither the Directors together or any individual shareholder owned more than 50% of the issued share capital of the Company and hence, in the opinion of the Directors, there is no controlling party at this date.

COMPANY STATEMENT OF CHANGES IN EQUITY

	Called up share capital £'000	Share premium account £'000	Retained loss £'000	Total equity £'000
	£'000s	£'000s	£'000s	£'000s
At 1 May 2014	8,093	50,703	(12,464)	46,332
Issue of shares	812	4,035	–	4,847
Credit to equity for share based payment	–	–	(2)	(2)
Loss for the year	–	–	(1,397)	(1,397)
Other comprehensive income for the year	–	–	–	–
At 30 April 2015	**8,905**	**54,738**	**(13,863)**	**49,780**
At 1 May 2015	8,905	54,738	(13,863)	49,780
Issue of shares	1,940	3,413	–	5,353
Loss for the year	–	–	(25,735)	(25,735)
At 30 April 2016	**10,845**	**58,151**	**(39,598)**	**29,398**

COMPANY BALANCE SHEET

	Note	2016	2015
		£'000s	£'000s
Fixed Assets			
Tangible assets	28	21	10
Investments	29	28,859	46,171
		28,880	46,181
Current Assets			
Debtors	30	111	114
Cash at bank and in hand		769	3,815
		880	3,929
Creditors: Amounts Falling Due Within One Year	**31**	**(362)**	**(330)**
Net Current Assets		**518**	**3,599**
Total Assets Less Current Liabilities, Being Net Assets		**29,398**	**49,780**
Capital and Reserves			
Called-up share capital	32	10,845	8,905
Share premium account	34	58,151	54,738
Profit and loss account	34	(39,598)	(13,863)
Shareholders' Funds	**35**	**29,398**	**49,780**

The financial statements of ITM Power Plc, registered number 05059407, were approved by the Board of Directors and authorised for issue on 28 July 2016.

Signed on behalf of the Board of Directors

Dr Simon Bourne
Director

NOTES TO THE COMPANY FINANCIAL STATEMENTS

26. SIGNIFICANT ACCOUNTING POLICIES

Accounting Convention

The separate financial statements of the company are presented as required by the Companies Act 2006. The company meets the definition of a qualifying entity under FRS 101 (Financial Reporting Standard 101) issued by the Financial Reporting Council. Accordingly, in the year ended 30 April 2016 the company has decided to adopt FRS 101 early and has undergone transition from reporting under IFRS adopted by the European Unon to FRS 101 as issued by the Financial Reporting Council. Accordingly, the financial statements have therefore been prepared in accordance with FRS 101 (Financial Reporting Standard 101) Reduced Disclosure Framework as issued by the Financial Reporting Council. This transition is not considered to have had a material effect on the financial statements

As permitted by FRs 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payments, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement and certain related party transactions.

Where required, equivalent disclosures are given in the consolidated financial statements.

The financial statements have been prepared on the historical cost basis except for the re-measurement of certain financial instruments to fair value. The principle accounting policies adopted are the same as those set out in note 3 to the consolidated financial statements except as noted below.

Investments in subsidiaries and associates are stated at cost less, where appropriate, provisions for impairment.

Tangible Fixed Assets

Tangible fixed assets are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is charged so as to write off the cost, over their estimated useful lives, using the straight-line method, on the following bases:

Leasehold improvements	4 years or the remainder of the lease term, if shorter
Computer equipment	3 years
Office furniture and fittings	4 years

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

Impairment of Tangible and Intangible Assets

At each balance sheet date, the Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company 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 (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (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 (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Investments

These are stated at cost less a provision for any permanent impairment in value.

Taxation

Current tax is provided at amounts expected to be paid or recovered, using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided in full on timing differences, which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

Share Option Charges

The Company has applied the requirements of FRS 20 "Share-based Payment" and UITF 44 "Group and Treasury transactions". In accordance with the transitional provisions, FRS 20 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as of 1 January 2006.

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

Fair value is measured by use of the Black-Scholes option pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

Pension Costs

The Company operates a defined contribution pension scheme. The amount charged to the profit and loss account in respect of pension costs is the contributions actually payable in the year. Differences between contributions payable and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

27. LOSS ATTRIBUTABLE TO ITM POWER PLC

The loss for the financial year dealt with in the financial statements of the parent company, ITM Power Plc, was £25.531m (2015 – loss of £1.397m). As permitted by Section 408 of the Companies Act 2006, no separate profit and loss account is presented in respect of the parent company.

The auditor's remuneration for audit and other services is disclosed in note 6 to the consolidated financial statements.

28. TANGIBLE FIXED ASSETS

	Computer equipment	Office furniture and fittings	Leasehold improvements	Total
	£'000s	£'000s	£'000s	£'000s
Cost				
At 1 May 2015	160	12	10	182
Additions	18	–	–	18
Disposals	–	–	–	–
At 30 April 2016	**178**	**12**	**10**	**200**
Deprecation				
At 1 May 2015	150	12	10	172
Charge for the year	7	–	–	7
Disposals	–	–	–	–
At 30 April 2016	**157**	**12**	**10**	**179**
Net Book Value				
At 30 April 2016	**21**	**–**	**–**	**21**
At 30 April 2015	10	–	–	10

29. INVESTMENTS

	Loans to subsidiary undertakings	Shares in subsidiary undertakings	Total
	£'000s	£'000s	£'000s
Net Book Value			
At 1 May 2015	48,478	3,593	52,071
Additions	7,620	–	7,620
At 30 April 2016	**56,098**	**3,593**	**59,690**
Provisions for Impairment			
At 1 May 2015	**5,900**	**–**	**5,900**
Provision in year	24,932	–	24,932
At 30 April 2016	30,832	–	30,832
Net Book Value			
At 30 April 2016	**25,266**	**3,593**	**28,859**
At 30 April 2015	42,578	3,593	46,171

The Company holds 100% of the ordinary share capital of ITM Power (Research) Limited, a company which is incorporated in England and Wales and its principal activity is the research and development of scientific and engineering projects.

The Company also holds 100% of the ordinary share capital of ITM Power (Trading) Limited, a company which is incorporated in England and Wales and its principal activity is the development and manufacturing of prototype products.

The Company also holds 100% of the ordinary share of ITM Power GmbH, a company which is incorporated in Germany and its principal activity is that of the sale of electrolysis equipment and hydrogen storage solutions.

The Company also holds 100% of the ordinary share of ITM Power Inc, a company which is incorporated in California and its principal activity is that of the sale of electrolysis equipment and hydrogen storage solutions.

The Company also holds 100% of the ordinary share of ITM Power ApS, a company which is incorporated in Denmark and its principal activity is that of the sale of electrolysis equipment and hydrogen storage solutions.

The Company also holds 100% of the ordinary share of Orkney Hydrogen Trading Ltd, a company which is incorporated in Scotland and its principal activity is that of the sale of hydrogen. The company was dormant during the year.

The Company also holds 100% of the ordinary share of ITM Energy Ltd, a company which is incorporated in England and its principal activity is that of the sale of hydrogen. The company was dormant during the year.

The Company also holds 100% of the ordinary share of ITM Fuel Ltd, a company which is incorporated in England and its principal activity is that of the sale of hydrogen. The company was dormant during the year.

ITM Power (Trading) Ltd holds 100% of the ordinary share of ITM Motive, a company which is incorporated in England and its principal activity is that of the production of drivetrains for use with Hydrogen. The company was dormant during the year.

30. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2016	2015
	£'000s	£'000s
Trade debtors	13	16
Other debtors	98	98
	111	**114**

31. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2016	2015
	£'000s	£'000s
Trade creditors	64	82
Payroll creditors	16	15
VAT creditors	84	–
Accruals and deferred income	198	233
	362	**330**

32. CALLED UP SHARE CAPITAL

	2016	2015
	£'000s	£'000s
Called-up, allotted and fully paid: 216,892,973 (2015 – 178,100,996) ordinary shares of 5p each	**10,845**	**8,905**

During the year the Company issued 38,791,977 ordinary shares of 5p each for a consideration of £5,819,000. Expenses in relation to the share issues, amounting to £476,000, were recognised in the share premium account.

33. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption included in FRS101 "Related Party Disclosures" for wholly owned subsidiaries not to disclose transactions with entities that are part of the Group qualifying as related parties.

ITM POWER – REGULATORY NEWS ANNOUNCEMENTS 2015 – 2016

Trading and Operations Update for the Full Year	09/06/15
Results for the year ended 30 April 2015	31/07/15
RWE Power-to-Gas Energy Storage System Launched	18/08/15
Thüga Plant Enters the Balancing Market in Germany	20/08/15
Strategic Forecourt Siting Partnership Signed	10/09/15
Appointment of Director	10/09/15
Launch of M1 Wind Hydrogen Refuelling station	17/09/15
Agreement to deploy a Solar Hydrogen Refuelling Station on the A13	17/09/15
ITM Power receives the UK's First Toyota Mirai FCEV, and Signs Hydrogen Fuel Contract with Toyota	19/10/15
Hydrogen Mobility Europe Launched with €32m Funding	24/09/15
Agreement with Symbio FCell and Arcola Energy	01/10/15
Toyota to Deliver Fleet of Mirai FCEVs to London	13/10/15
First Electrolyser station to achieve operational status under the CEC 2014 program.	03/11/15
Planning permission to construct a Hydrogen Refuelling Station at CEME	24/11/15
PHAEDRUS: Advanced Refuelling Project	27/11/15
Arup and ITM Power to collaborate on hydrogen energy and fuel systems	07/12/15
Rapid Response Electrolysis for Power-to-Gas Energy Storage	23/12/15
CEME and ITM Power to develop a hydrogen hub in East London	12/01/16
Placing to raise £2.14 million ("the Placing") and Shareholder Open Offer to raise up to approximately £3.74 million (the "Open Offer")	29/01/16
Half Year Results for the Period ended 31 October 2015	29/01/16
Completion of £5.8 million Fundraise, result of General Meeting and result of Open Offer	16/02/16
Trading and Operations Update	03/03/16
1MW sale to ZEAG Energie AG	31/03/16
BOC and ITM Power Sign Hydrogen Refuelling and Siting Agreement	08/04/16
€2.75m Electrolyser System Cost Reduction Grant	19/04/16
1.5 MW Electrolyser Deployment in Scotland	28/04/16
Marketing & Hannover Messe Update	04/05/16
MoU with Good Energy to Explore Green Energy Tariffs	10/05/16
Launch of first London HyFive Hydrogen Refuelling station	10/05/16
Hydrogen Fleet User Workshops and Ride and Drive	16/05/16
€35m H2ME2 European Hydrogen Refuelling Station deployment	14/06/16
Thüga Group: Power-to-Gas technology performance update	13/06/16

RNS RNS Reach

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