ITM POWER
Energy Storage | Clean Fuel

ITM POWER 17

ANNUAL REPORT AND FINANCIAL STATEMENTS

WE ARE POSITIONED AT THE HEART OF GLOBAL EFFORTS TO DECARBONISE FUEL AND ENERGY.

Dr Graham Cooley
ITM Power plc, CEO


V-Power
Performance Fuels
For your safety
GX16 WHW

REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 30 APRIL 2017

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This is a very exciting time for the energy industry, and ITM Power plc is at the forefront of a market which will revolutionise air quality and energy storage for future generations. As evidenced by the significant growth in our pipeline, momentum in the hydrogen sector is continuing to gather pace. Our market is growing rapidly and with larger systems, compliant to operate all over the world, ITM Power plc is in a great position to be a market leader.

Dr Graham Cooley
ITM Power plc, CEO

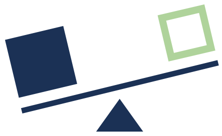
SHAPING A RENEWABLE HYDROGEN FUTURE

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

ITM Power plc, manufactures integrated hydrogen energy solutions to enhance the utilisation of renewable energy that would otherwise be wasted. These products meet the requirements for grid balancing and energy storage services, and for the production of clean fuel for transport, renewable heat and chemicals.

Air quality regulations are stimulating the need for hydrogen as a clean fuel for clean transport emissions, in city regions around the world.

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 commercial vehicles in production with Honda being the latest Company to also offer a FCEV. Global Hydrogen Refuelling Station infrastructure programmes are underway with significant deployment plans in place.

Energy security and fuel security has risen to the top of the geopolitical agenda.

Price volatility of fossil fuels is driving an industrial substitution to more sustainable chemical processes.

CONTENTS

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 £35.46m of projects under contract or in the final stages of negotiation.

OFFICERS AND PROFESSIONAL ADVISORS

Directors
Sir R Bone
Dr S Bourne
Dr G Cooley
Lord R Freeman
P Hargreaves
R Pendlebury
Prof. R Putnam
Dr R Smith

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National Westminster Bank plc
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One Glass Wharf
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Leeds, LS1 2AL

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1 Cornhill, London
EC3V 3ND

HIGHLIGHTS

COMMERCIAL PROGRESS IN YEAR

Clean Fuel

- Launched first London HyFive refuelling station at the National Physical Laboratory, Teddington, London
- Opened first hydrogen refuelling station with Shell in the UK and obtained planning permission for three others
- £3.5m contract won to deploy a 3MW electrolyser system in the year ending 30 April 2018

Power-to-Gas

- Contracted the £1.1m sale of 0.5MW electrolyser to National Grid under the HyDeploy project for build in FY2019
- €1.5m sales contract to HDF, a multi-MW electricity storage solutions provider, ITM Power plc's first sale in France
- €0.7m electrolyser sale to global speciality gas company by competitive tender

Renewable Chemistry

- £1.6m sale of 1.25MW electrolyser to major Engineering Procurement and Construction ("EPC") company

Commercial Progress since Year End

- A further £4.12m of products under contract secured since year end (31 July 2016: £1.44m)
- £12.33m of contracts in final stages of negotiation (31 July 2016: £0.51m)

KEY FINANCIAL RESULTS FOR THE YEAR ENDED 30 APRIL 2017

- Total Revenue and Grant Funding of £9.23m (2016: £8.19m) up 13%, comprising:
  - Revenue – £2.42m (2016: £1.93m) up 25%
  - Grant income – £4.16m (2016: £3.19m) up 30%
  - Grants receivable for capital projects – £2.65m (2016: £3.07m), down 14%
- Increase in property, plant and equipment net book value to £4.52m from £3.02m, up 50%
- Loss from operations £3.55m (2016: £4.36m), down 19%
- Cash balances of £3.00m (2016: £3.34m), down 10%; comprising
  - £1.56m available cash (2016: £1.21m)
  - £1.44m restricted cash on guarantee (2016: £2.13m)
- Development costs of £0.15m capitalised in the year (2016: £0.25)
- A material uncertainty exists around going concern as the Group remains in a growth phase. Recognising the current need to manage working capital carefully and efficiently, ITM Power plc continues to structure quotes to include up-front payment with orders so that working capital is not impacted adversely by increased activity

TECHNICAL ACHIEVEMENTS

- Winner of the Rushlight award for improvement of the manufacturing process
- New control room established in Sheffield
- Development of an autonomous test facility for ultra-high current density (cost reduction)

CORPORATE DEVELOPMENT POST YEAR END

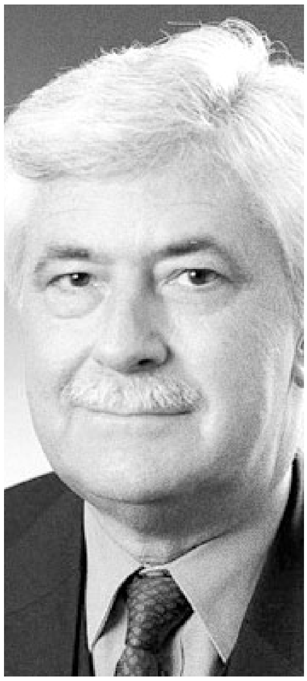
- Appointment of new Managing Director of ITM Power plc GmbH, Calum McConnell
- £5.7m gross funding round secured in January 2017 for working capital to service existing pipeline
- Appointment of Investec Bank Plc as Nominated advisor and sole broker
- Exhibited at All-Energy, the UK's largest renewable energy event, Glasgow, 10 and 11 May 2017
- Staff numbers increased by 4 full-time equivalents (currently the Company has 72 staff)
- Development work is tightly focused on increasing electrolyser scale, improving performance and cost reduction

BOARD OF DIRECTORS

Dr Graham Cooley
Chief Executive Officer
(Age 53)

Dr Simon Bourne
Chief Technology Officer
(Age 42)

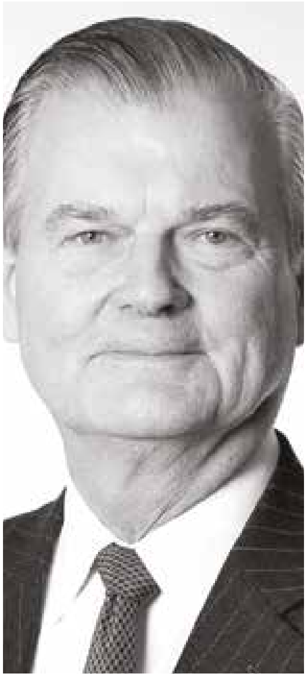
Dr R Smith
Executive Director
(Age 42)



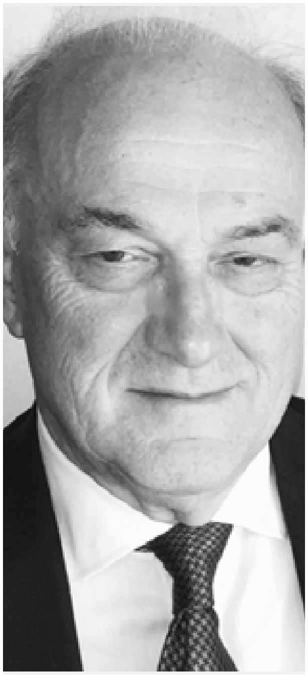
Prof Roger Putnam
Non-Executive Chairman
(Age 71)

"OUR RECENT TECHNICAL AND COMMERCIAL ACHIEVEMENTS ARE A CLEAR DEMONSTRATION OF THE SKILLS AND KNOWLEDGE OF THE ITM POWER TEAM.

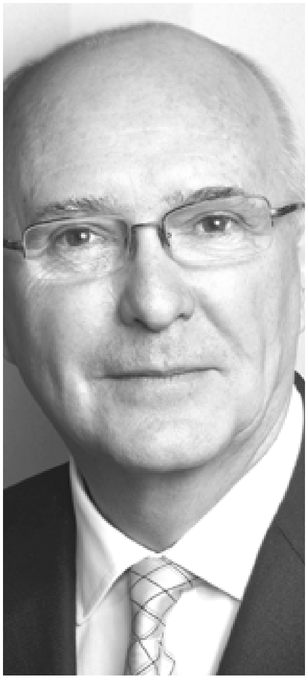
Prof Roger Putnam
ITM Power plc, Non-Executive Chairman



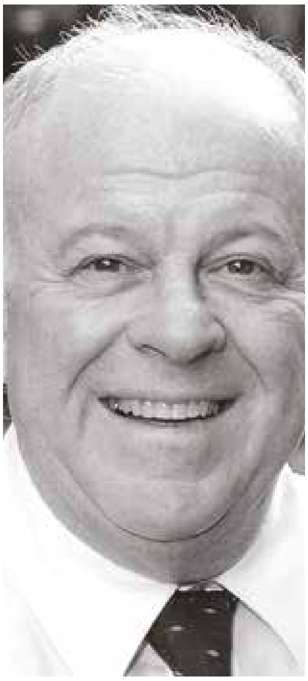
Lord Roger Freeman
Non-Executive Director
(Age 75)



Robert Pendlebury
Non-Executive Director
(Age 75)



Sir Roger Bone
Non-Executive Director
(Age 73)



Peter Hargreaves
Non-Executive Director
(Age 70)


Shell
Powered by
ITM POWER
HYDROGEN IS THE MOST ABUNDANT ELEMENT IN THE UNIVERSE
H2

STRATEGIC REVIEW

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ITM Power plc continues to develop a burgeoning pipeline of exciting projects that demonstrate that there is a large and growing market for electrolyser technology. Our focus remains ensuring that ITM Power plc is optimally positioned to deliver its growing pipeline of established high efficiency products into those markets. I would like to thank the staff this year for their continued hard work as the Company takes its next steps as a leading technology supplier.

Prof. Roger Putnam
ITM Power plc, Chairman

STATEMENT OF SCOPE

This Strategic Report has been prepared solely to provide additional information to shareholders to assess the Group'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

Summary

ITM Power plc designs and manufactures integrated hydrogen energy systems for energy storage and clean fuel production. The Group has a suite of product platforms based on Proton Exchange Membrane (PEM) technology tailored to the requirements of its target markets. 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, or for use in further applications in the chemicals and plastics industries, accessible due to cost savings in equipment.

Of particular importance is the ability to respond rapidly and to generate hydrogen at a pressure, flow rate and purity appropriate to its application.

Power-to-Gas

Demand for energy storage solutions is being driven by the increasing proportion of power from renewables in electricity generation in many countries. This, in turn, is being driven by emissions reduction targets set out most recently in the COP21 Paris Agreement on climate change. Whilst the agreement on climate change is not legally binding, as evidenced by the U-turn of the current US administration, the fact that India and China continue to be a part of the climate agreement suggests that this can still generate momentum where previously there have been none. We believe that the simplest and most cost effective solution to address the need to store intermittent renewable power is electrolysis with the hydrogen produced then used either as clean fuel or injected into a gas grid. The latter ‘Power-to-Gas’ option requires megawatt scale electrolysers and ITM Power plc has pioneered the development of such plant with announced plans to manufacture scalable units of up to 100MW.

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. These payments are accessible for customers and incentives allow a cheaper product for the seller of the hydrogen.

Clean fuels

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 Electric Vehicles (FCEVs) is underway, led by Toyota and closely followed by Hyundai, and Honda. A hydrogen station produces hydrogen on site via ITM Power plc's rapid response electrolyser system, and can refuel a fuel cell electric car in three minutes, providing 300 to 420 miles of clean emission driving, without compromise to drivers' normal refuelling routine.

A further growth market for refuelling is in bus refuelling, as air quality rises up the agenda for all cities, but especially capital cities in Europe. The business case for Fuel Cell Electric Buses (FCEB) was published by the NewBusFuel consortium and the outputs are compelling to any organizations planning to introduce hydrogen fuel cell buses into everyday transport service operations.

Inner city air quality is a major new driving force for FCEB deployment, as air pollution is a major contributor to poor health and early death in the UK, with the Royal College of Physicians attributing up to 40,000 deaths a year to exposure to outdoor air pollution. Experts argue that for decades the issue has been under-reported and the UK Government recently lost two court cases over air quality. In Greater London, where the statistics are the most detailed, studies show that private diesel cars contribute 11% of NO_x emissions, but there are many other sources of pollution, including buses, taxis, industry and building sites.

Renewable chemistry

Refineries currently use hydrogen to improve the quality of fractional distillation products and most of this hydrogen is produced from steam-reforming. 15% of the total CO_2 emissions from the European refinery sector can be attributed to hydrogen production. In order to comply with stringent legislation and avoid fines, refineries need a cost effective green hydrogen solution that reduces carbon emissions while allowing them to maintain output.

In addition, natural gas reformers have long start-up times. With their rapid start up times, ITM Power plc's PEM electrolysers could provide an immediate backup solution to prevent production downtime and preserve security of hydrogen supply.

Finally, in steel making, iron ore requires chemical reduction before being used to produce steel; this is currently achieved through the use of carbon, in the form of coal or coke. When oxidised, this leads to emissions of about 2.2 tonnes of CO_2 for each tonne of liquid steel produced, equivalent to 5% of the world's anthropogenic CO_2 emissions. The substitution of hydrogen for carbon has the potential to significantly reduce CO_2 emissions, because hydrogen is an excellent reducing agent and produces only water as a by-product.

AT THE HEART OF ALL OF THESE APPLICATIONS IS AN ITM POWER ELECTROLYSER SYSTEM.

Grant funding

The Group utilises funding from grant bodies to fulfil two main objectives. The first is to contribute towards the technical advancement of the electrolyser product through offering greater efficiencies which manifest as price reduction of the ITM Power plc systems. These efficiencies are then demonstrated in pilot projects, which pilot either first of kind in terms of size, or deployment. The second objective of procuring grant funding is to partner with global blue chip companies such as Shell, BOC, National Grid and Toyota in order to develop larger markets for ITM Power plc products.

The Group has been the beneficiary of funding from EU bodies, which has helped accelerate research activity but also infrastructure development. The referendum result of 2016 regarding Brexit means that there is a risk that this funding may be less available in the short-term, although ITM Power plc has had the most success bidding into the Horizon2020 funding pot that is available to non-EU members. Nevertheless, the Group recognises this is a risk and has strategies for mitigation in place which are discussed within the principal risks and uncertainties section later in this report.

Global markets

Markets for water electrolysis as a hydrogen infrastructure solution continue to develop in the UK, as showcased by the HyFive project and subsequent H2ME and H2ME2 projects, together with the UKH_2Mobility initiative supported by the Office of Low Emission Vehicles ("OLEV"). 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 plc sold the first two systems to inject hydrogen into the German distribution network. The opportunities continue to develop in Germany while spreading to other regions, for example California, where energy storage is now mandated. Two other developing markets are Scotland and Australia, where large curtailed renewable resources provide a compelling case for electrolysis. Other markets exist and are maturing rapidly in India, China and Korea, and whilst these markets appear interesting, ITM Power plc will be operating a watching brief for the near future.

ITM Power plc has a model of locating agents in key territories to position ITM Power plc 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 plc has five 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 plc has active subsidiaries in Germany and the USA that serve to generate local knowledge and partnerships, grow operational and after-sales support, increase opportunities for state grant funding, and provide opportunities to operate within the local currency.

Future prospects and events after the balance sheet date

ITM Power plc 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, renewable chemistry and clean fuel sectors. The Group is well represented in these commercial sectors and territories where market growth is now accelerating. The Group has an established product platform that continues to benefit from ongoing economies of scale and efficiencies through process improvement activities and technology improvements, to allow greater sales advantage against competitors, as well as a route to creating higher capacity equipment for larger transport, Power-to-Gas and industrial applications.

There are no material events that have occurred after the balance sheet date.


HY
REFU
ITM POWER
2.0MW PEM Electrolyser
Ultra-rapid response
High system efficiency
Self-pressurising
Fuel cell grade hydrogen
Compact footprint
Modular design
ITM POWER
This unit enables excess renewable power (that would otherwise be wasted) to be captured and converted into hydrogen gas

REVIEW OF THE BUSINESS

ITM Power plc 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. Roger Putnam
ITM Power plc, Chairman

BUSINESS ENVIRONMENT

Today, ITM Power plc is a globally recognised expert in hydrogen technologies with applications in clean fuel for transport, energy storage and industry. We believe that all of these markets will grow significantly over the next few years based on the increasing drive for improved air quality in inner cities worldwide, the growth of renewables in the energy mix and the need to decarbonise the production of hydrogen for industry.

We now have four publicly accessible hydrogen refuelling stations (HRS) in operation with a further six under contract, positioned to take advantage of the accelerating roll-out of commercial and passenger fuel cell electric vehicles. With this market in its infancy, these stations will initially incur losses, and will be dependent on vehicle rollout for the stations to reach profitability and positive cash flows in the medium to long term. The Group will report hydrogen sales in the April 2018 financial statements. In addition, we have secured £5.2m in funding for our first Fuel Cell Electric Bus (FCEB) refueller in Birmingham. We expect the FCEB market to grow quickly, driven by air quality legislation. In the UK, cities are now under increasing pressure to improve air quality. Air pollution levels have reached “very high” or “high” in eight regions and London has been issued a final warning by the EU. This is a global problem and the products and services ITM Power plc is developing, particularly for the ‘return to base’ FCEB market, will be exportable to multiple locations worldwide.

ITM Power plc enjoys a unique position having supplied the world's first Proton Exchange Membrane (PEM) Power-to-Gas electrolyser in 2014, which continued throughout the financial year to inject hydrogen into the German gas distribution network. The Group supplied a second PEM Power-to-Gas system to RWE Group Gmbh in the financial year ended April 2015, and contracted in March 2016 to supply a third in Germany, which remained in build and on schedule at year end. The Group also contracted with National Grid as part of the HyDeploy project for a 0.5MW electrolyser to inject into a UK gas network for deployment in calendar year 2018.

Power-to-Gas

Proposals during the year from the EU include energy storage involving the conversion of electricity to another energy carrier, such as hydrogen. Ongoing work includes investigating hydrogen/methane blends and establishing admissible concentration levels for hydrogen in natural gas grids across Europe. These developments will enable Europe-wide deployment of Power-to-Gas plant for injecting hydrogen into the gas grid while offering balancing services to the electricity grid. These balancing services can be an important source of revenue for operators and ITM Power plc's rapid response PEM technology allows units to be turned on and off in under one second making them eligible for the UK National Grid's Enhanced Frequency Response Payments.

Clean fuel

ITM Power plc has won contracts to supply on-site hydrogen generation equipment for refuelling in the UK and the US, and more recently to France, and is currently rolling out a network of ten hydrogen refuelling stations in the UK of which four are now open for public access.

ITM Power systems are now at a scale where a fleet of thirty buses could be supported by one electrolyser on a return to base principle and large schemes are now being envisaged, for applications such as heavy logistics, trains and ships. In the year, the Group was awarded a £3.5m contract for its first hydrogen refuelling station for buses which will be deployed in 2018.

Renewable chemistry

In the year, ITM Power plc won its first renewable chemistry contract with a major EPC contractor and the project was substantially completed within the year. This plant will serve as reference plant for future bids into the industry. The scale of hydrogen production capacity required in the renewable chemistry market means that this market will likely adopt the larger scale, multi-MW systems.

ITM Power plc showcased a series of large scale electrolyser configurations up to 100MW in size at Hannover Messe 2017 in April this year, attracting significant interest from potential customers worldwide.

THESE DEVELOPMENTS WILL ENABLE EUROPE-WIDE DEPLOYMENT OF POWER-TO-GAS PLANTS.

KEY FINANCIALS

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

	2017	2016	2015
Total projects income, being sales and grants receivable	£9.23m	£8.19m	£5.06m
Of which: Sales revenue	£2.42m	£1.93m	£1.64m
Of which: Grant recognised in the income statement	£4.16m	£3.19m	£1.78m
Of which: Grant recognised on the balance sheet (offsetting asset build)	£2.65m	£3.07m	£1.65m
New grant project awards*	£6.59m	£8.10m	£5.75m
Pre-tax loss	£3.55m	£4.36m	£5.71m
Projects under contract or in final stage of negotiation*	£35.46m	£16.32m	£10.46m
Non-current assets	£4.90m	£3.28m	£2.546m
Net assets	£13.07m	£11.64m	£10.34m

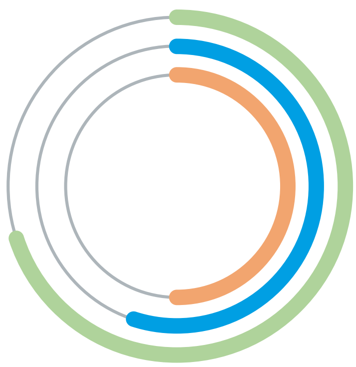
*Contracts can take a period longer than 12 months to unwind through the accounts. In the year ended 30 April 2017, income recognised was £9.23m against a pipeline reported at the results announcement of £16.32m. Therefore, of the contracted pipeline, the Group delivered on projects equivalent to 57%.

Projects under contract and in the final stage of negotiation are a non-statutory measure that the Board of Directors use to assess progress and monitor the Group. Items under contract are contract projects that are being progressed. Projects in negotiation are added once the Directors are 100% certain that a contract will get signed, and represents future pipeline. These numbers are reported via the regulatory news service (RNS) with each announcement. The Directors do not make representations as to the timing of the revenue recognition associated with the projects under contract or in the final stages of negotiation.

FINANCIAL PERFORMANCE

Total projects income
£9.23m £8.19m £5.06m

Projects under contract
£35.46m £16.32m £10.46m



Net assets
£13.07m £11.64m £10.34m

The pre-tax loss for the year under review decreased to £3.55m (2016: £4.36m) and net cash burn before fund raise decreased to £5.85m (2016: £8.47m). Cash burn is a non-statutory measure the Directors use to monitor the Group, and is calculated by deducting from the cash flow the effects of any equity fund raise.

The decrease in loss in the year being reported can be attributed to three major factors – a concerted development and engineering effort towards product efficiencies through economies of scale 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. Grant funding has specifically increased as the rate of grant funding (the intervention rate, or percentage reimbursed to the Group) has increased compared with prior years, such that grant activity was increasingly between 70% and 100% funded in the year in review.

The cash burn decrease is a result of increased sales activity in the year, along with an increased intervention rate on grants that were completed in the year. The Group was also the recipient of large grant claims debtors from the prior year, and received in the current year. The timing of grant receipts are often not aligned in the same period as the expenditure. This cash outflow, which is significantly greater than the losses in the year shows the continued commitment of ITM Power plc to being a refuelling system owner and operator as the industry grows in the UK in order to gain market share and improve opportunities for FCEV adoption.

Debtors have increased from £6.49m to £11.08m at the year ends in 2016 and 2017 respectively. This movement is dominated by prepayments made to suppliers near year end to order components for the existing pipeline and also as deposits on dispensers for deployment as part of the fleet of refuelling stations. Prepayments and accrued income was £8.77m in 2017, up £4.74m year on year (2016: £4.03m).

Creditors have increased from £1.76m to £6.67m at the year ends in 2016 and 2017 respectively. This movement is a result of an increase in accruals and deferred income from £0.9m to £5.6m.

Revenue has increased as the Group gains traction in the growing hydrogen market, but is also representative of servicing a growing pipeline. In the year, revenue growth was encouraging and comprised largely of an electrolyser for the chemicals industry, and part builds of a number of contracts announced in the year, including for refuelling applications in Germany. With the Group in a strong pipeline development and delivery phase, it is likely that the next period will continue to see a supply of units to Europe despite the challenges in the current political climate. The Group will continue to operate in a high value, low volume environment too, which will continue to influence the results over the next few years.

ITM Power plc are first and foremost a manufacturer, and the majority of revenue comes from construction contracts to design and build full hydrogen systems. These systems can then be deployed in a number of scenarios.

Revenue continues to be driven by sales to the chemical industry, which is a newer application identified for the Group's products. There has also been an increase year on year in consultancy, with ITM Power plc a recognised expert in the field. The Group is starting to find its' consultancy services are procured with a view to sourcing units in the future in competitive tenders. ITM Power plc has a strong record in competitive tenders and consider the technical achievements made in the year will make the Group even more competitive.

In the year, the Group capitalised development costs of £0.15m (2016: £0.25m). This is for product developments that will continue to keep the Group at the forefront of PEM electrolysis and the Directors see the continued product development as key to building commercial traction.

Commentary on the year's revenue

The sales order book at the year-end stood at £5.25m (2016: £2.90m). This increase is representative of the growing commercial pipeline and represents a large Power-to-Gas unit, some smaller units, the sale of a hydrogen refuelling station in France and the first contract with National Grid.

The value of projects under contract at the time of the report stood at £17.8m (2016: £16.32m). Projects under contract represents the value of contracted revenue and grant funding yet to be recognised by ITM Power plc in the future. The Board believes this is a more accurate reflection of the increase in activity the Group has experienced in the year. The Board recognises that not only do contracts need to continue to be signed but also that delivery on these contracts is a part of the picture that leads to a fully commercial offering and a reduction in the Group's proportionate mix of grant funding as part of the pipeline.

Total collaborative project funding recognised in the year was £6.81m of which £4.16m is recognised on the income statement (2016: £6.26m, of which £3.19m was recognised on the income statement). This increase in asset builds supported through project funding has allowed ITM Power plc 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 year, three refuelling stations have been opened to the public around London. Revenues from refuelling will be reported separately in note 5 of the financial statements from the year ended April 2018.

FINAL RESULTS

FINANCIAL

DEAL PIPELINE OF
£35.5m
UP
117%

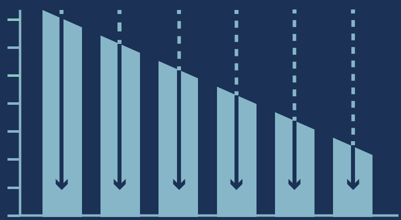
REVENUE
£9.2m
UP
13%

OPERATIONAL

CONTRACTED
6.19MW
IN LAST 12 MONTHS

LAUNCHED
100MW
DESIGNS AT HANNOVER

LOSSES OF
£3.6m
DOWN
18%



ORDERS IN THE YEAR
£22m
UP
57%

£5.6m
WORKING CAPITAL

3MW

FIRST BUS REFUELLING STATION

SIGNED
14
FUEL CONTRACTS

2
TONNES
(INSIDE OF 1ST YEAR)
HYDROGEN DISPENSED FROM
1 US AND **4 UK**
LOCATIONS

FINANCIAL POSITION

At year end, ITM Power plc had £3.004m (2016: £3.336m) of funds in the bank, and trade and other receivables of £11.082m (2016: £6.487m), totalling £14.086m (2016: £9.823m). The receivables predominantly relate to trade debtors (while 2016 was predominantly grant income debtors). ITM Power plc also had amounts on guarantee that totalled £1.45m (2016: £2.22m). Presently, the Group is required to place amounts on guarantee as cash cover, which limits working capital available to the Company mid-contract. This limited the Group to £1.59m of available cash at year end. As such, there is a material uncertainty over the going concern assumption due to the risk around the timing of cashflows. Recognising the current need to manage working capital carefully and efficiently, ITM Power plc continues to structure quotes to include upfront payment with orders so that working capital is not impacted adversely by increased activity.

At year end, the Group had trade creditors of £0.92m against a prior year balance of £0.67m. This number has predominantly increased due to the stage of progress on contracts in the pipeline, but there has been an increase in creditor days as better supplier terms are negotiated. The Group also had accruals and deferred income of £5.61m against a prior year figure of £0.88m. This reflects both money received up front for construction contracts and also accruals for goods received that have not yet been invoiced.

ITM Power plc has seen an increase in fixed assets to £4.899m from £3.276m in the prior year as the Group engages in projects that create assets for the future. This is a policy that will continue, especially with the completion of H2ME and H2ME2 projects.

The assets built are the suite of refuelling stations in the UK that will supply a growing hydrogen fuel sales market. The total value of refuelling assets was £2.3m. After an impairment review, the carrying value of one refueller was reduced by £97,000 and a non-refuelling asset was impaired by £3,000.

ITM POWER IS NOW IN A POSITION TO BE COST COMPETITIVE WITH OTHER FORMS OF FUEL SOLUTIONS.

OUTLOOK

The Group has enjoyed a greater level of customer engagement in the past year than at any other time in its history. This was never more noticeable than at the Hannover Messe in April 2017, where the Group enjoyed the greatest footfall it had ever experienced as it showcased its 100MW electrolyser plant. The year ending 30 April 2017 also saw the Group deliver a number of landmark events, including the deployment and opening of the first ITM Power plc refuelling station on a Shell forecourt, and of two further refuelling stations in London, as well as successfully winning a contract to build a 3MW bus refueller in the UK. ITM Power plc is now in a position to be cost competitive with other forms of electrolyser and other hydrogen solutions, having hit the European Horizon 2020 price target for MW scale electrolysers.

The Directors have disclosed as part of the going concern statement that there is a current sensitivity to the timing of sales and grant receipts. As always, near term cash resources will continue to be closely monitored and controlled due to the associated working capital requirements of the Group in delivering its growing order pipeline and winning new business. The Board believes that in order for the Group to secure the best chance of winning new business contracts, the Group needs to be able to continue to demonstrate to potential customers its suitability to be awarded long-term contracts. A consequence of this is that certain customers may continue to request that the Group provide guarantees for contracts. A mitigating action the Group is taking is to structure smaller stage payments aligned with more frequent milestones.

With markets growing rapidly, and air quality in particular being a major issue throughout 2017, ITM Power plc look forward to developing further contracts in the pipeline. The bulk of enquiries continue to be for 0.3MW to 6MW, often including ancillary hydrogen energy systems and after sales support contracts. In addition, the Group is increasingly receiving enquiries from multinational entities for significantly larger platforms and for a broader range of applications.

The Board look forward to reporting progress as contracts are awarded, and to providing an update at the AGM.

STRATEGIES:

ITM Power plc 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 Group will also be able to show demonstrable success in the near future of hydrogen, using the M1 Wind refueller and HyFive stations as reference plant for further refuelling stations. Similarly the Shell forecourt at Cobham services and the 3MW bus refueller contract that was won in the year will serve to demonstrate ITM Power plc's competitiveness and application for electrolysers.

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

ITM Power plc are currently positioned as a refueller of hydrogen, and will also be able to gain market share for hydrogen sales as vehicle adoptions accelerates. The Group expects to start reporting on hydrogen sales in the results for the year ending 30 April 2018.

OBJECTIVES:

ITM Power plc had immediate objectives in the prior year in terms of product development and, in particular, scale-up of proven electrolysis equipment. Having successfully achieved these immediate objectives are to generate more sales traction at high volumes and higher capacity in order to achieve penetration of larger markets.

Cash flow remains a key measure for the Board, with the other key objective for ITM Power plc 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 £0.332m after the fund raise of £5.7m gross (2016: £3.240m after £5.8m gross fund raise). With a sensitivity existing around certain sales and grant receipts, continuing to closely control cash resources will be a short-term objective for the management.

Break-even is another measure for the Board and is one of the key drivers in decisions to develop business.

STRATEGIES FOR ACHIEVING OUR OBJECTIVES

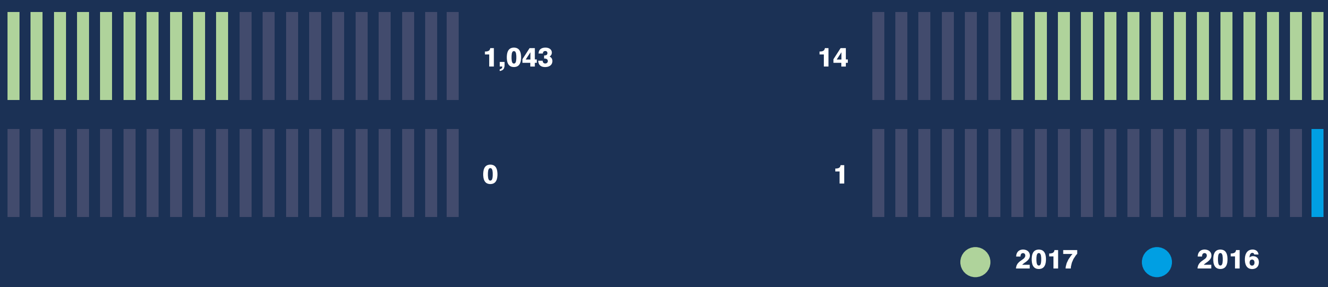
Product development, and in particular upscaling of product offering, will be achieved through securing and utilising project funding. This serves the dual purpose of reducing cash outflow and creating strong key partnerships within industry.

Short-term cash flow is aided but not totally mitigated by ITM Power plc quoting for sales with upfront payments, which reduces reliance on working capital. This is dependent on the type of guarantees customers may require the Group to offer, including cash cover for some guarantees, which does not help working capital at the outset. 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 we are keeping this in mind as we build a larger pipeline.

NON-FINANCIAL KEY PERFORMANCE INDICATORS

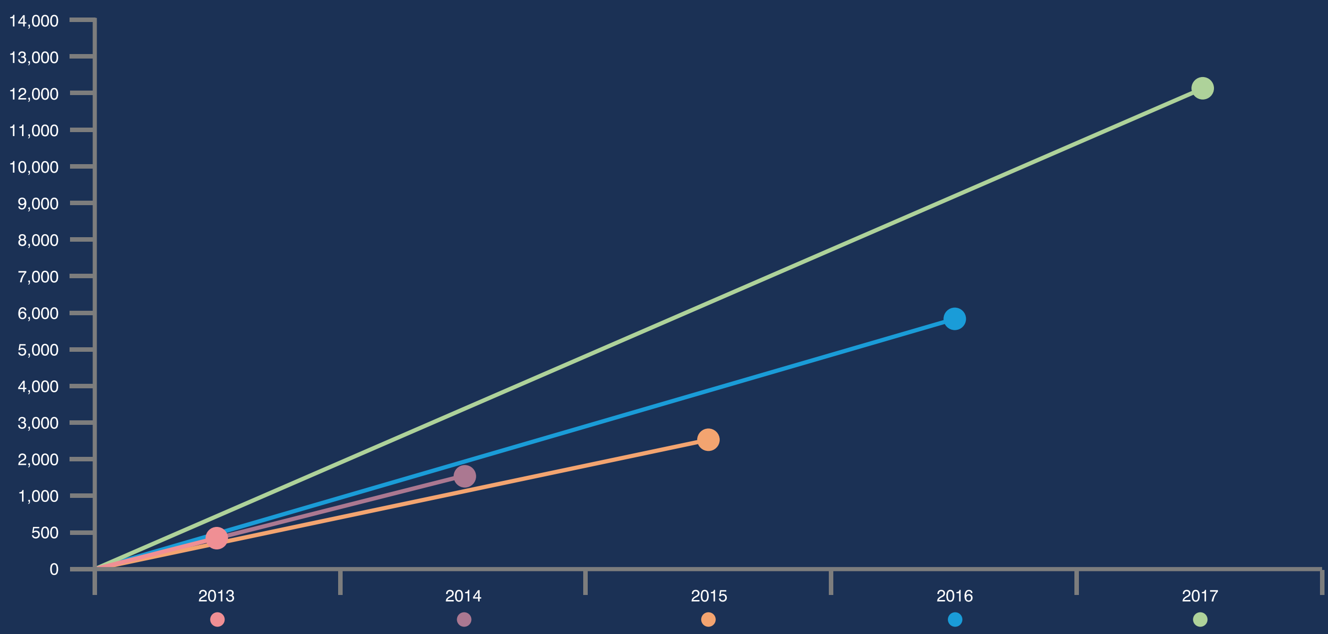
FUEL DISPENSED (KG)

FUEL CONTRACTS SIGNED



Given the early stage of the refuelling market, no expectation has been set with regards to the KPI performance in the current year but these KPIs will act as a baseline for future performance.

HYDROGEN PRODUCTION CAPACITY UNDER CONTRACT IN KW



PRINCIPLE RISKS AND UNCERTAINTIES

The principle and commercial risks to the Group are as follows:

Description	ITM Power plc does not achieve sufficient commercial success before existing competitors or new entrants.
Impact	The current plans the Group has may not be realised, and ultimately the Group may have to re-evaluate its forecasts.
Assessment of change in risk year-on-year	There is greater commercial traction in the current year, both for ITM Power plc and some of its competitors. As the movement towards better air quality and renewable energy gathers momentum, larger entrants could enter the market with greater resource than ITM Power plc.
Mitigation	The Board considers the knowhow and field experience owned by the Group creates a significant barrier to entry for new competitors, and for existing competitors to threaten the Group's market position. One protection for ITM Power plc continues to be the patents developed in house around the core technology, and the knowhow gained through long-standing deployments which cannot be gained quickly by a new entrant. As product efficiency (producing more hydrogen from the same amount of plant) and scale up (increasing product capacity within the same size unit) targets have been hit, so to have price targets for customers, opening up a wider range of markets available to ITM Power plc, reducing the risk of dependence on one market.

Description	ITM Power plc continues to be in a cash consumption phase.
Impact	There is a risk that the Group may face working capital and cash flow challenges associated, especially with receipts often large and intermittent, both for sales contracts but particularly for grants.
Assessment of change in risk year-on-year	At year end there was less cash in the bank than in the prior year but equally there was greater sales traction. Given the current uncertainty in the market place there is significant uncertainty over the future cashflows both in terms of timing and value. Historically the Group has had large upfront payments for new contracts. This creates a significant working capital challenge, which has led to a material uncertainty over going concern. This risk has increased since the prior year as the starting position was lower with pipeline having grown, and with the greater demands being placed on working capital.
Mitigation	There are a number of options available to the Group, which include structuring sales beneficially, and requiring money up front, or alternatively in recognition of a series of more frequent milestones. There is an ongoing scheme of work to create greater profitability within the products. Historically, ITM Power plc have continued to meet obligations through equity fund raises.

Description	Alternative technologies are adopted in preference to the Group's technology.
Impact	The Group could struggle to gain market share or may find itself operating in a smaller market than is currently anticipated.
Assessment of change in risk year-on-year	For Power-to-Gas applications, the risk is considered diminished as the need to curtail and harness renewables increases. This will lead to the increased demand for loads that can offer demand side management, which is the fastest grid balancing service available. ITM Power plc electrolysers are rapid response loads. For refuelling applications, the advent of announcements from OLEV, and from car manufacturers placing an emphasis on battery electric vehicles show that alternative technologies do have traction and are nearer term than large scale hydrogen fuel cell vehicle adoption. Therefore the Board consider the risk is consistent with prior years with regards to refuelling.
Mitigation	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. For refuelling, the technology used in Battery Electric Vehicles is the same technology that is found in Fuel Cell Electric Vehicles, with the exception of the energy storage device – which in the case of a FCEV is in the form of a hydrogen tank. As such the Board welcome the development of battery vehicles, whilst recognising the advantages of refuel time and range of the Hydrogen vehicles.

Description	Energy policy changes could adversely affect the commercial and project traction the Group has started to achieve.
Impact	The Group may find the technological demand for their product reduced.
Assessment of change in risk year-on-year	This risk is considered consistent with prior years as the hydrogen agenda gathers pace. Whilst the US policy seems ambivalent towards zero emissions, other countries continue to place greater emphasis on this. ITM Power plc's more global positioning decreases the reliance on one particular country's policies. Currently the Group has 5% of contract pipeline in US$, and as such the impact of President Trump's withdrawal of the US from the COP21 climate agreement does not have an immediate impact on the Group, but may impact the possibility of winning further business in the US.
Mitigation	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.

Description	Foreign currency fluctuations could adversely affect the profitability of certain contracts by impacting the supply chain, sales cycle or valuation of receivables and payables.
Impact	The profitability of the Group could be affected if exchange rates fluctuate significantly during the course of a contract
Assessment of change in risk year-on-year	This risk has continued to be high, as was the case last year, as a result of the UK referendum to Brexit. Whilst exchange rates are currently favourable to ITM Power plc for exporting, this may not always be the case, and product costs may rise, or revenues decrease. This has not been helped through the added uncertainty that followed the results of the UK parliamentary elections in June 2017, and also rising inflation which can also increase currency volatility.
Mitigation	Where possible, ITM Power plc 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	Regulatory changes could adversely affect the commercial success of the Group.
Impact	As the market for hydrogen systems develops, the regulatory structure gains sophistication. The risk of falling behind developments could render products obsolete.
Assessment of change in risk year-on-year	Similar to previous years.
Mitigation	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 plc operates continues to evolve and the Board seeks to position ITM Power plc as a leading expert in the field to shape and reliably inform best practice with regards to regulatory changes.

Description	ITM Power have previously been well-funded by EU sponsored programmes and the certainty of this pipeline may be impacted by the UK Referendum on Brexit.
Impact	It may be harder to win contracts from a source that has historically been a successful strategy for ITM Power.
Assessment of change in risk year-on-year	This risk increased significantly upon the announcement of the referendum result on 24th June 2016
Mitigation	The Group has 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.

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

Health, safety and the environment

ITM Power plc'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 that 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 (the "Forecast") for the period ending 31 August 2018 ("The forecast period"). This forecast indicates that the Company and Group would expect to remain cash positive without the requirement for further funding based on delivering existing pipeline, for a period of at least 12 months from the date of approval of these financial statements.

However, the forecast includes certain assumptions, in particular in respect of the timing of contracted sales and grant cash inflows. The timing of some receipts depend upon actions outside of the control of the Group and whilst the forecast has taken a prudent approach to the timing of such receipts based on historical data, this constitutes a material uncertainty.

The existence of a material uncertainty may cast significant doubt about the Group's ability to continue as a going concern. Notwithstanding this material uncertainty, the Directors have a reasonable expectation that the Company and Group are a going concern. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

Approved by the Board and signed on its behalf by:

Dr. Simon Bourne
Director
Date: 24 August 2017

MARKETING ACTIVITIES

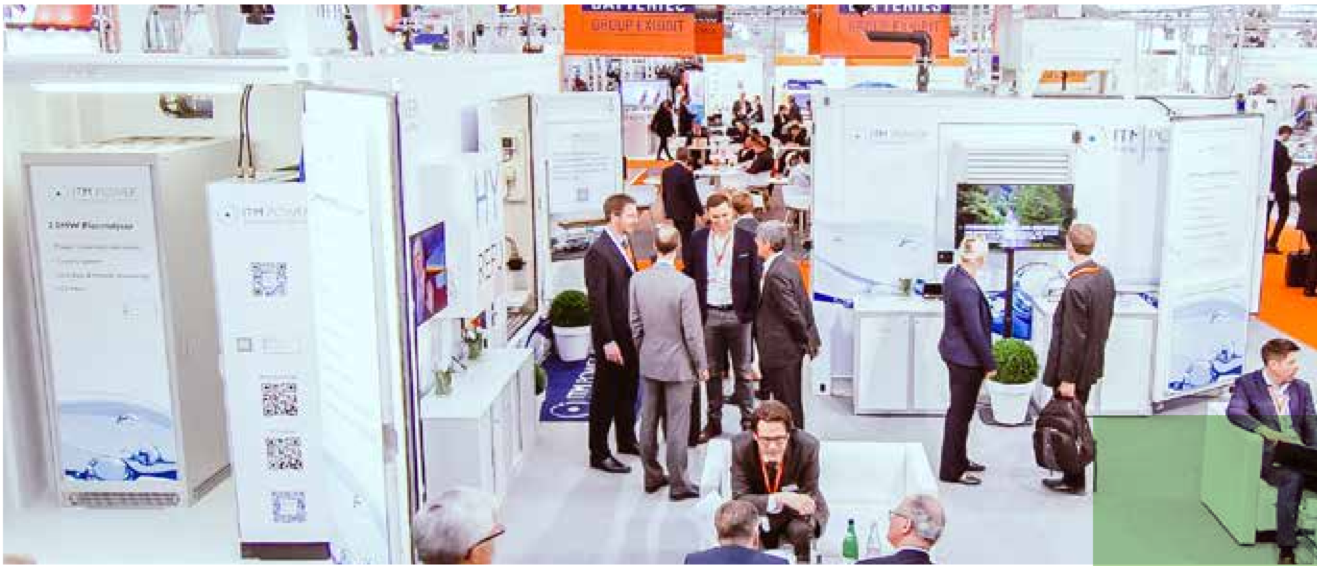
HYDROGEN RALLY

A Hydrogen Rally took place to the finishing line at the CEME HRS from two locations, with journalists and transport industry commentators, some of whom became the first to make the 186 mile drive from a wind hydrogen station in South Yorkshire to the solar hydrogen station, demonstrating how excess renewable energy can be used and stored as hydrogen gas to refuel fuel cell electric vehicles (FCEVs) in three minutes.

A second rally commenced at ITM Power plc's hydrogen station in Teddington, West London, crossing central London to CEME and highlighting zero emission driving across the capital's low emission zone. In total 11 FCEVs took part, provided by automotive OEMs Toyota, Hyundai and Symbio FCell Renault and vehicle owners JCB, Anglo American, Johnson Matthey, Green Tomato Cars and ITM Power plc.

HYDROGEN FLEET USER WORKSHOP

Following the Office for Low Emission Vehicles (OLEV) announcement launching a £2m support scheme in May 2016, ITM Power plc ran a series of hydrogen workshops and Ride and Drive events. The workshops were supported by Toyota, Hyundai, Arcola Energy, Symbio FC and GreenTomatoCars. It offered fleet operators the chance to learn more on Fuel Cell Electric Vehicles and hydrogen refuelling.



HANNOVER MESSE

24 – 28 April 2017

Now in the shows 70th year and attracting 225,000 visitors over the five days, the Hannover Messe was another positive show for ITM Power plc. It received the largest number of foreign visitors with China, the Netherlands, India, and Poland, who were partner country for 2017 being in the top percentage of visitors.

This year the Company exhibited a complete 2.2MW PEM electrolyser system, which included the new MW stack design as well as a smaller PEM electrolyser system. Now in the 7th year of exhibiting, the stand attracted the highest levels of interest to date with many good leads which the Company will actively follow up.

The Company also gave a number of key presentations during the show, including launching the 100MW Electrolyser designs which highlighted the demand for larger systems. Other presentations included a press conference alongside BWM and the U.S Department of Energy, a discussion on the International Partnership for Hydrogen and Fuel Cells in the Economy panel, a presentation on building a hydrogen refuelling infrastructure in the UK and BIG HIT, Europe's largest integrated hydrogen system. All of the companies presentations were very well attended and can be viewed via the companies YouTube channel.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CLEAN FUEL

HYDROGEN FUEL STATIONS

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Hydrogen has the potential to become a clean and versatile transport fuel for the future, and the Cobham hydrogen site is one of the ways Shell is encouraging the use of alternative fuels to contribute to the energy transition. This will provide customers with hydrogen fuel cell electric vehicles the ability to refuel simply and quickly, at one of the largest petrol stations in the UK.

Matthew Tipper

Future Fuels at Shell, Vice President

SOLAR HYDROGEN STATION

The opening of the second HyFive hydrogen refuelling station took place on 11th October 2016. The station is located 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 provide power to the station. This makes this station the first of its kind in the UK.

The station was opened to the public by Bill Williams, CEO of CEME and Prof Roger Putnam CBE, Chairman of ITM Power plc. The opening was supported by the automotive OEMs, who also presented and participated in a Q&A session.

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IT IS PERFECTLY LOCATED TO OFFER A CLEAN HYDROGEN SOURCE FOR LONDON AND IMPROVE AIR QUALITY FOR LONDON.

Bill Williams
CEME, CEO

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As London's Centre for Engineering and Manufacturing Excellence, CEME is very proud to be able to offer a site for this hydrogen fuel station and utilise our solar energy to make a fuel for vehicles. It is perfectly located to offer a clean hydrogen source for London and improve air quality for London.

Bill Williams
CEME, CEO

This new facility demonstrates the growing momentum in the development of a new hydrogen fuel infrastructure in the UK. This is good news for customers who are keen to adopt the new technology and for the manufacturers of zero-emissions fuel cell vehicles, such as our own Mirai saloon.

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

BOC is proud to continue to work with ITM Power plc in the development of a hydrogen refuelling network in the UK. This is the third deployment of our innovative refuelling station technology with ITM Power plc this year, with the installation at CEME (Centre for Engineering and Manufacturing Excellence) another milestone in making hydrogen a truly accessible clean fuel in and around London.

Sue Graham Johnston
BOC UK, Ireland and Africa, Managing Director


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TOYOTA
GX16

Arcola Energy is excited to have demonstrated the clean emission "business as usual" journey across central London in a Symbio FCell Kangoo. The route between ITM Power plc's latest hydrogen refuelling stations shows how commercial fleets can operate within and around central London without compromise. This enables London and further cities to meet their business, climate and air quality emissions and presents a solution for improving air quality in direct competition to the incumbent diesel powered vehicles.

Richard Kemp-Harper
Arcola Energy, Head of Innovation and Business Development

We are delighted to have another hydrogen fuel station open to support our small fleet of hydrogen fuel cell electric vehicles. We have found the stations easy to use and our customers really enjoy riding in a hydrogen vehicle producing zero emissions.

Julia Thomas
Green Tomato Cars, Managing Director

We are extremely pleased to have launched the second of the Company's HyFive hydrogen refuelling stations in London providing a link across the city for a range of hydrogen vehicles now available from the auto OEMs. The hydrogen rally was a great way of demonstrating the benefits of these vehicles for both longer commutes and throughout the city. ITM Power plc is grateful for the co-operation of our HyFive partners and for the funding support of FCHJU and OLEV.

Dr Graham Cooley
ITM Power plc, CEO

SHELL HYDROGEN STATION

Following the siting agreement which ITM Power plc signed with Shell in 2015, the first hydrogen station to be on a Shell forecourt was opened in February 2017.

The hydrogen refuelling station is located at Cobham services on the M25, the nation's busiest refuelling station. The station is ITM Power plc's fourth public hydrogen refuelling station to be opened in the UK. It is the first of three hydrogen stations Shell plan to open in the UK in 2017, all of which will be supplied by ITM Power plc.

hyFIVE HYDROGEN FOR INNOVATIVE VEHICLES

Office for Low Emission Vehicles

We welcome this new hydrogen fuelling station which will be extremely useful for our two Mirai hydrogen fuel cell private hire cars. The addition of a hydrogen fuelling station south of London complements those already in operation to the east and west of London, boosting the capital's hydrogen infrastructure. This should encourage more companies to follow the lead in adopting zero-emission hydrogen vehicles which are good for people and for the environment.

Julia Thomas
Green Tomato Cars, Managing Director

We believe the journey to a low-carbon economy requires a coordinated and collaborative approach among organisations in the transport sector, including providers of energy and transport vehicles, users of transport vehicles, local authorities as well as government. The Cobham retail site is a small but significant first step toward developing infrastructure needed for increased usage of hydrogen vehicles.

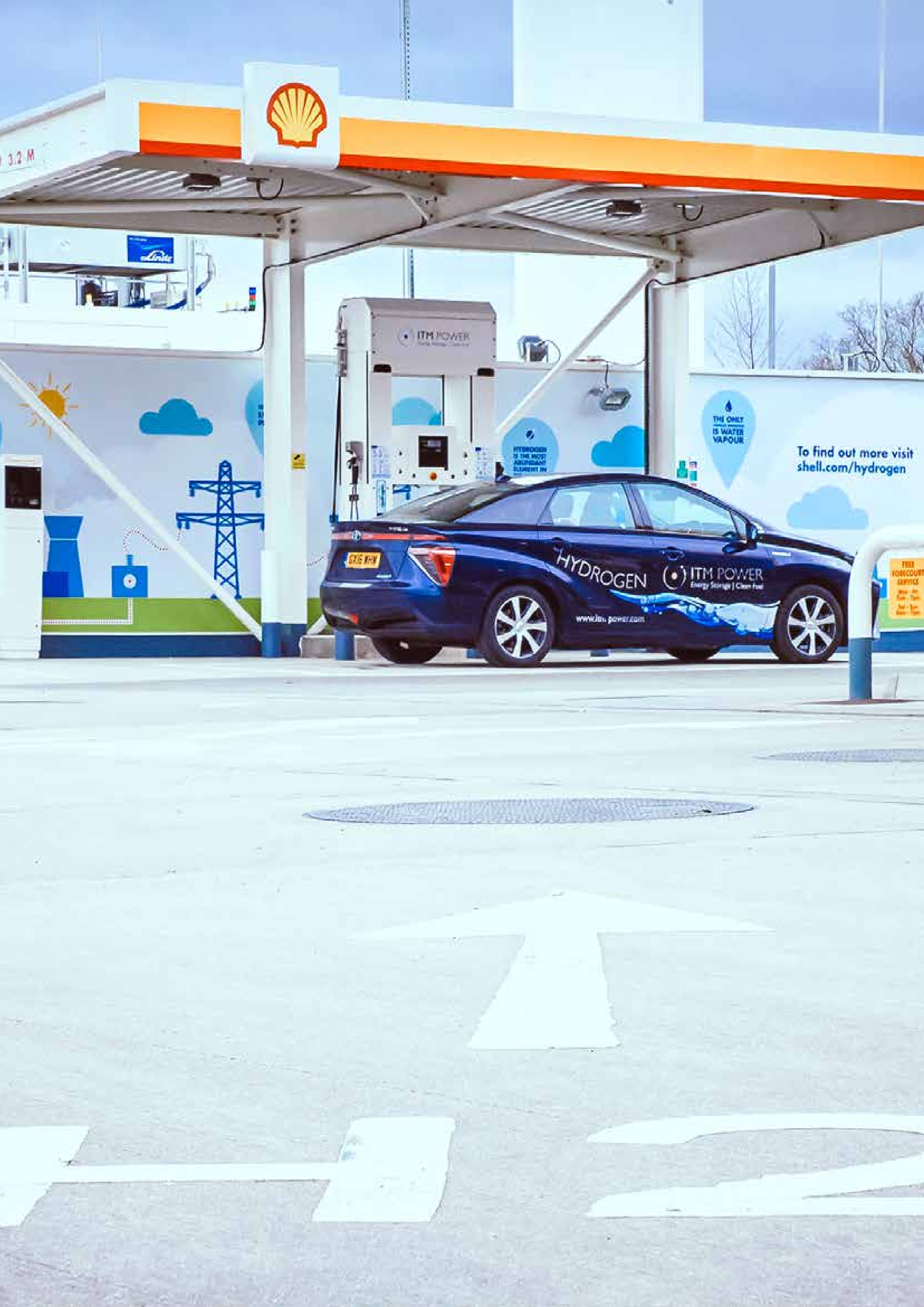
Sinead Lynch
Shell's UK, Country Chair

While FCH JU project HyFive has already delivered significant results and contributed to addressing major EU challenges, we are very pleased to see an important industry player joining the venture. The opening of Shell's first station in the UK occurs one month after the Hydrogen Council announcement at Davos, and reinforces the industrial commitment towards decarbonisation.

Bart Biebuyck
FCH JU, Executive Director

ELECTROLYTIC HYDROGEN IS THE CLEANEST, AND LOWEST COST, RENEWABLE FUEL AVAILABLE.

Dr. Graham Cooley
ITM Power plc, CEO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The opening of Shell's first forecourt hydrogen refuelling station at Cobham, the seventh hydrogen station in the country, is the result of collaboration, cooperation and determination from government and industry leaders to bring the benefits of sustainable ultra-low emission transport to the UK. At Toyota, we are committed to playing a leading role in environmental and technological advances in the automotive industry, and this new station will help us to introduce more customers to the benefits of our fuel cell vehicles, including our Mirai hydrogen fuel cell car. We would like to congratulate the team involved on this significant new project.

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

The opening of the hydrogen refuelling station at Shell Cobham is a major milestone for the HyFive project and hydrogen refuelling infrastructure in the UK. To have a hydrogen refuelling station at a major service station by one of the busiest motorways in Europe will provide further convenience to drivers of hydrogen fuel cell cars, such as the Honda Clarity Fuel Cell.

Thomas Brachmann
Honda R&D Europe (Deutschland) GmbH,
Automobile Powertrain and Material Research Expert

ITM Power plc is pleased to partner with Shell to bring their first forecourt hydrogen refuelling site to life. Electrolytic hydrogen is the cleanest, and lowest cost, renewable fuel available for fuel cell electric vehicles. We look forward to working with Shell to introduce additional hydrogen stations on their forecourts in the UK in the near future.

Dr. Graham Cooley
ITM Power plc, CEO

HYDROGEN FUEL AGREEMENTS

ITM Power plc continue to attract companies who are now adopting Fuel cell electric vehicles (FCEVs) as part of their fleet.

Since signing its first hydrogen fuel agreement with Toyota in 2015, the Company has agreements in place with the following companies.

These agreements sees the price of hydrogen to all customers using an ITM Power plc public refuelling station set to £10/kg, which is the lowest price hydrogen at any public refuelling station in the UK.

EUROPEAN HYDROGEN REFUELLING STATION DEPLOYMENT

A £35m project for the Hydrogen Mobility Europe 2 (H2ME2) programme funded by the Fuel Cells and Hydrogen Joint Undertaking (FCHJU) under Horizon 2020 was launched in June 2016. ITM Power plc will receive 5.06m from the project and will deploy three new dual pressure Hydrogen Refuelling Station (HRS) assets to expand the national refuelling network in the UK.

Europe prepares to expand its hydrogen refuelling infrastructure network and vehicle fleet.

An ambitious multi-country, multi-partner project will demonstrate that hydrogen can support Europe's future transport demands.

DEPLOYMENT OF 1,195 HYDROGEN VEHICLES, TREBLING THE EXISTING EUROPEAN FLEET.

PLANNING CONSENT

ITM Power plc has gained full planning permission at four sites comprising Birmingham, Swindon and two sites in Sheffield. Additional sites have been identified in London and around the M25; along the M1 Corridor including Leeds; and along the M40 Corridor including Oxford and along the M4 including Bristol and Cardiff. The plans outlined have been put in place prior to the UK Government's Office of Low Emission Vehicles (OLEV) announcing further grant incentives for hydrogen vehicles and new refuelling infrastructure.

UK cities are now under increasing pressure to improve air quality. Air pollution levels have reached "very high" or "high" in eight regions across the UK and London has been issued a final warning by the EU. We have made significant headway in planning further HRS deployments on the M1, M4, M40 and particularly inside the M25 ahead of the accelerating roll-out of commercial and passenger fuel cell electric vehicles as a result of new air quality legislation.

Dr. Graham Cooley
ITM Power plc, CEO

ITM Power Open

ITM Power Planned

ITM Power Planning Consent


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ENERGY STORAGE

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These new EU directives are fundamentally important for unlocking the potential of rapid response grid balancing using electrolysis and for the deployment of Power-to-Gas energy storage across Europe. The guarantee of origin scheme also differentiates green hydrogen as a fuel for transport.

Dr. Simon Bourne
ITM Power plc, Chief Technology Officer

HYDEPLOY

In November 2016, ITM Power plc announced that it will be supplying a 0.5MW electrolyser to a programme to demonstrate the use of blended hydrogen in the UK gas grid. The £6.8 million project, funded by Ofgem is called HyDeploy and is led by National Grid. It is a key enabling project which will establish a framework for hydrogen gas-grid injection in the UK and open up a new UK Power-to-Gas market.

The three year project will begin in 2017 and the results will be used to inform a further public trial of the use of hydrogen-blended natural gas in the UK grid, with the intention of then rolling out the use of hydrogen blends nationwide.

If the project is successful, this will enable hydrogen to be blended with natural gas in gas networks across the country. Potentially, the project could prevent 120 million tonnes of carbon reaching the atmosphere by 2050.

The project will help towards the Government's tough 'decarbonisation' targets. It has pledged to cut Britain's carbon dioxide emissions by 80% of 1990 levels by 2050. Heating accounts for one third of emissions.

Using Britain's existing world-class gas network, HyDeploy could pave the way for a clean, low carbon gas grid, keeping homes warm and powering industry.

THIS IS AN EXTREMELY EXCITING TIME FOR THE ENERGY INDUSTRY.

Martin Alderson
Northern Gas Networks, Asset Management Director

Ofgem's decision to award National Grid £6.8m recognises the important role for the UK's world class gas grid in delivering low carbon heat. We believe introducing a hydrogen blend nationally has the potential to save over 6 million tonnes of carbon emissions every year.

David Parkin
National Grid Gas Distribution, Director of Network Strategy

Energy and sustainability is a key overarching institutional priority for Keele University, and we are delighted to be a partner in this important, highly relevant and prestigious project. This collaborative project tackles one of the major societal challenges and has the potential to be highly impactful and lead to a significant reduction in carbon emissions.

Professor Mark Ormerod
Keele University, Deputy Vice Chancellor

POWER-TO-GAS ENERGY STORAGE

The recent Winter Package of Directive proposals from the EC includes energy storage involving the conversion of electricity to another energy carrier, such as hydrogen. Ongoing work by CEN/CENELEC is investigating hydrogen/methane blends and establishing admissible concentration levels for hydrogen in natural gas grids across Europe. These developments will enable Europe-wide deployment of Power-to-Gas plant for injecting hydrogen into the gas grid while offering balancing services to the electricity grid.

CENTRAL CONTROL ROOM

ITM Power plc has recently established a state of the art SCADA system based central control room in Sheffield which enables each electrolyser deployment and hydrogen refuelling station operations to be monitored remotely from all across the globe. Control room staff can monitor and analyse live plant data to drive process improvements and help our customers. The staff can also access and provide the historical operational data required for external bodies to help in setting up industry standards and business development.

ITM POWER HAS ABILITY TO MONITOR ALL ELECTROLYSER AND REFUELLING STATIONS WHEREVER THEY ARE IN THE WORLD.

Dr. Simon Bourne
ITM Power plc, Chief Technology Officer

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FINANCIAL STATEMENTS

Year Ended 30 April 2017

I WOULD LIKE TO THANK THE STAFF THIS YEAR FOR THEIR CONTINUED HARD WORK AS THE COMPANY TAKES ITS NEXT STEPS AS A LEADING TECHNOLOGY SUPPLIER.

Prof. Roger Putnam
ITM Power, Chairman

DIRECTORS' REPORT

The Directors present their annual report and audited financial statements on the affairs of ITM Power plc (the "Company") and its subsidiaries (the "Group"), together with the financial statements and auditor's report, for the year ended 30 April 2017.

The Directors believe that the financial statements are fair, balanced and understandable.

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 £2.023m (2016 – £1.952m).

Dividends

The Directors do not recommend a dividend payment for the year (2016 – £nil).

Capital structure

Details of the Group's capital structure are provided in notes 19 and 23 to the financial statements.

Directors

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

Sir R Bone
P Hargreaves
Dr. S Bourne
Prof. R Putnam
Dr. G Cooley
R Pendlebury
Lord R Freeman
Dr. R Smith

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 2017 and as at 24 August 2017	Ordinary shares of 5p each At 30 April 2016
	No	**No**
Sir R Bone	67,000	67,000
Dr S Bourne	326,830	326,830
Dr G Cooley	987,726	811,256
Lord R Freeman	5,000	5,000
P Hargreaves	22,908,643	22,908,643
R Pendlebury	12,269	12,261
Prof. R Putnam	27,129	27,129
Dr R Smith	80,886	80,886

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 2017 were equivalent to 105 (2016 – 34) days' purchases, based on the average daily amount invoiced by suppliers during the year. This is a reflection of a large amount of purchase invoices being invoiced towards year end and in particular the impact of one high value project nearing completion at year end. The Group did not change its' policy on creditor payments in the year. However, due to the cash position of the Company there was some working capital management in place with existing creditors which has led to a higher creditor days balance.

Charitable and political contributions

During the year, the Group made no charitable or political donations (2016 – £Nil).

Substantial shareholdings

On 30 April 2017 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	No. of ordinary shares
JCB Research	12.4%	30,970,365
Allianz Global Investors	11.0%	27,499,989
P Hargreaves	9.1%	22,908,643*
Quilter Cheviot	5.1%	12,680,796
Herald Investment Management	3.6%	7,851,843
D J Highgate	3.1%	9,059,899

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

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. 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.

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.

Approved by the Board and signed on its behalf by:

Dr. Simon Bourne
Director
Date: 24 August 2017

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 plc 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	•				•

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 on the right.

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), Dr Rachel Smith and Dr Simon Bourne (CTO). The Committee regularly meets to consider business development, management issues and the financial performance of the Company.

The Manufacturing and 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.

Board meetings

The Board scheduled 3 regular meetings in the year ended 30 April 2017 and two 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	**5**	**1**	**2**	**1**
Non-Executive Directors				
The Rt Hon Lord R Freeman	5	1	2	–
Mr P Hargreaves	4	1	–	–
Prof. R Putnam (Chairman)	5	1	2	–
Sir R Bone	4	1	2	–
Mr R Pendlebury	5	–	–	1
Executive Directors				
Dr S Bourne	5	–	–	1
Dr R Smith	5	–	–	–
Dr G Cooley	5	–	–	–

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. Peter Hargreaves is viewed as independent as he is not personally dependent on the success of ITM Power plc for income, and is therefore considered independent. 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.

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 co-ordinated by the Company's Corporate Communications Consultants, Tavistock Communications Limited. ITM Power plc 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 and CEO give 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 have also chosen to prepare the parent company financial statements under IFRSs as adopted by the EU. 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 these 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 24 August 2017 and is signed on its behalf by:

Dr. Simon Bourne
Chief Technology Officer
Date: 24 August 2017

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ITM POWER PLC

We have audited the financial statements of ITM Power plc for the year ended 30 April 2017 which comprise consolidated income statement, consolidated and company statements of changes in equity, consolidated and company balance sheets, the consolidated and the related notes 1 to 34. 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.

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 2017 and of the Group's and the parent company'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.

Emphasis of matter – going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 3 to the financial statements concerning the Company's ability to continue as a going concern. The group incurred a loss after tax of £3,780,000 for the year ended 30 April 2017 (loss of £4,000,000 for the year ended 30 April 2016). These conditions, along with the other matters explained in note 3 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern

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 matter prescribed by the companies act 2006

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

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

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and the Directors' Report.

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.

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

For and on behalf of Deloitte LLP
Statutory Auditor
Leeds, United Kingdom

CONSOLIDATED INCOME STATEMENT
YEAR ENDED 30 APRIL 2017

	Note	2017	2016
		£'000s	£'000s
Revenue	**5**	**2,415**	**1,930**
Cost of Sales		(1,757)	(1,483)
Gross profit		**658**	**447**
Operating costs			
Research and development		2,023	(1,952)
Prototype production and engineering		(2,615)	(2,954)
Sales and marketing		(1,528)	(1,364)
Administration		(2,202)	(1,724)
Other operating income			
Grant income	5	4,160	3,188
Loss from operations	**6**	**(3,550)**	**(4,359)**
Investment revenues	–	–	–
Loss before tax		**(3,550)**	**(4,359)**
Tax	8	(230)	359
Loss for the year	**–**	**(3,780)**	**(4,000)**
Other total comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation differences on foreign operations		(250)	(62)
Net other total comprehensive income		(250)	(62)
Total comprehensive loss for the year		**(4,030)**	**(4,062)**
Loss per share			
Basic and diluted	9	(1.7p)	(2.0p)

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 30 APRIL 2017

	Notes	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 2015		8,905	54,738	(1,973)	116	(51,442)	10,344
Issue of shares	19	1,940	3,413	–	–	–	5,353
Loss for the year	9	–	–	–	–	(4,000)	(4,000)
Other comprehensive income for the year	19	–	–	–	(62)	–	(62)
Total comprehensive income for the year		–	–	–	(62)	(4,000)	(4,062)
At 30 April 2016/ 1 May 2016	**19**	**10,845**	**58,151**	**(1,973)**	**54**	**(55,442)**	**11,635**
Issue of shares	19	1,686	3,779	–	–	–	5,465
Loss for the year	9	–	–	–	–	(3,780)	(3,780)
Other comprehensive income for the year	19	–	–	–	(250)	–	(250)
Total comprehensive income for the year		–	–	–	(250)	(3,780)	(4,030)
At 30 April 2017	**19**	**12,531**	**61,930**	**(1,973)**	**(196)**	**(59,222)**	**13,070**

CONSOLIDATED BALANCE SHEET
YEAR ENDED 30 APRIL 2017

	Note	2017	2016
		£'000s	**£'000s**
Non-current assets			
Intangible assets	11	380	252
Property, plant and equipment	10	4,519	3,024
		4,899	3,276
Current assets			
Inventories	13	760	291
Trade and other receivables	15	11,082	6,487
Cash and cash equivalents	16	1,558	1,207
Restricted cash and cash equivalents	16	1,446	2,129
Total current assets		**14,846**	**10,114**
Current liabilities			
Trade and other payables	17	(6,666)	(1,755)
Provisions	18	(9)	–
Total current liabilities		**(6,675)**	**(1,755)**
Net current assets		**8,171**	**8,359**
Net assets		**13,070**	**11,635**
Equity			
Called-up share capital	19	12,531	10,845
Share premium account	19	61,930	58,151
Merger reserve		(1,973)	(1,973)
Foreign exchange reserve		(196)	54
Retained loss		(59,222)	(55,442)
Total equity		**(13,070)**	**11,635**

The financial statements of ITM Power plc, registered number 05059407, were approved by the Board of Directors and authorised for issue on 24 August 2017.

Signed on behalf of the Board of Directors

Dr. Simon Bourne
Director

CONSOLIDATED CASH FLOW STATEMENTS
YEAR ENDED 30 APRIL 2017

	Note	2017	2016
		£'000s	£'000s
Net cash used in operating activities	**20**	**(5,048)**	**(7,098)**
Investing activities			
Purchases of property, plant and equipment		(3,293)	(3,315)
Capital Grants received against purchases of property plant and equipment		2,646	2,148
Proceeds on disposal of property, plant and equipment		4	–
Payments for intangible assets		(151)	(252)
Net cash (used in)/from investing activities		**(794)**	**(1,419)**
Financing activities			
Issue of ordinary share capital		5,732	5,819
Costs associated with fund raise		(267)	(466)
Net cash from financing activities		**5,465**	**5,353**
Decrease/Increase in cash and cash equivalents		**(377)**	**(3,164)**
Cash and cash equivalents at the beginning of year		**3,336**	**6,576**
Effect of foreign exchange rate changes		45	(76)
Cash and cash equivalents at the end of year		**3,004**	**3,336**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 30 APRIL 2017

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 which is also the functional currency because that is the currency of the primary economic environment in which the Group operates.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING

Amendments to IFRSs that are mandatorily effective for the current year

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 2016. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation

The Group has adopted the amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation for the first time in the current year. The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

a. when the intangible asset is expressed as a measure of revenue; or

b. when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

As the Group already uses the straight-line method for depreciation and amortisation for its property, plant and equipment and intangible assets, respectively, the adoption of these amendments has had no impact on the Group's consolidated financial statements.

Amendments to IAS 27 Equity Method in Separate Financial Statements

The Group has adopted the amendments to IAS 27 Equity Method in Separate Financial Statements for the first time in the current year. The amendments focus on separate financial statements and allow the use of the equity method in such statements. Specifically, the amendments allow an entity to account for investments in subsidiaries, joint ventures and associates in its separate financial statements:

a. at cost,

b. in accordance with IFRS 9 (or IAS 39 for entities that have not yet adopted IFRS 9), or

c. using the equity method as described in IAS 28 Investments in Associates and Joint Ventures.

The same accounting must be applied to each category of investments.

The amendments also clarify that when a parent ceases to be an investment entity, or becomes an investment entity, it should account for the change from the date when the change in status occurs.

The adoption of the amendments has had no impact on the Company's separate financial statements as the Company accounts for investments in subsidiaries and associates at cost and is not an investment entity.

Annual improvements to IFRSs 2012-2014 Cycle

The Group has adopted the amendments to IFRSs included in the Annual Improvements to IFRSs 2012-2014 Cycle for the first time in the current year.

The amendments to IFRS 5 introduce specific guidance in IFRS 5 for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa). The amendments clarify that such a change should be considered as a continuation of the original plan of disposal and hence requirements set out in IFRS 5 regarding the change of sale plan do not apply. The amendments also clarifies the guidance for when held-for-distribution accounting is discontinued.

The amendments to IFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets.

The amendments to IAS 19 clarify that the rate used to discount post-employment benefit obligations should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The assessment of the depth of a market for high qualify corporate bonds should be at the currency level (i.e. the same currency as the benefits are to be paid). For currencies for which there is no deep market in such high quality corporate bonds, the market yields at the end of the reporting period on government bonds denominated in that currency should be used instead.

The adoption of these amendments has had no effect on the Group's consolidated financial statements.

New and revised IFRSs in issue but not yet effective

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRSs that have been issued but are not yet effective and had not yet been adopted by the EU:

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers
IFRS 16	Leases
IFRS 2 (amendments)	Classification and Measurement of Share-based Payment Transactions
IAS 7 (amendments)	Disclosure Initiative
IAS 12 (amendments)	Recognition of Deferred Tax Assets for Unrealised Losses
IFRS 10 and IAS 28 (amendments)	Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture

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 as noted below:

- IFRS 9 will impact both the measurement and disclosures of financial instruments;
- IFRS 15 may have an impact on revenue recognition and related disclosures; and
- IFRS 16 will impact on the reported assets, liabilities, income statement and cash flows of the Group. Furthermore, extensive disclosures will be required by IFRS 16.

Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of these standards until a detailed review has been completed.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The financial statements have 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.

The financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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 when the Company:

- has the power over the investee;
- is exposed, or has rights, to variable return from its involvement with the investee; and
- has the ability to use its power to affects its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on 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.

Going concern

The Directors have prepared a cash flow forecast (the "Forecast") for the period ending 31 August 2018 ("The forecast period"). This forecast indicates that the Company and group would expect to remain cash positive without the requirement for further funding based on delivering existing pipeline, for a period of at least 12 months from the date of approval of these financial statements.

However, the forecast includes certain assumptions, in particular in respect of the timing of contracted sales and grant cash inflows. The timing of some receipts depend upon actions outside of the control of the Company and whilst the forecast has taken a prudent approach to the timing of such receipts based on historical data, this constitutes a material uncertainty.

The existence of a material uncertainty may cast significant doubt about the Company's ability to continue as a going concern. Notwithstanding this material uncertainty, the Directors have a reasonable expectation that the Company and group are a going concern. The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

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 and test equipment, production plant and equipment, computer equipment and office furniture and 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

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.

At the balance sheet date, an impairment review was undertaken and an impairment charge of £100,000 was recognised in the year.

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 in the Group’s balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

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.

Recoverability of internally-generated intangible asset

During the year, management reconsidered the recoverability of its internally-generated intangible asset which is included in its balance sheet at £380k. Customer reaction to our up-coming technologies has confirmed management's previous estimates of anticipated revenues from the project.

However, as the technology has moved on through our continued progress, earlier capitalisations of development costs have been considered to be impaired. Mid-stage capitalisations are now being used in our commercial products so have been amortised throughout the current year.

Carrying value of assets under construction

The Group has 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.

Useful lives of property, plant and equipment

As described above, the Group reviews the estimated useful lives of property, plant and equipment at the end of each reporting period. During the current year, the Directors have reaffirmed their belief in the useful lives of our asset categories. However, as the Company receives more data from us of systems in the field, and in line with current quoting behaviour, a useful economic life for the shortest-life components (excluding consumables) is now considered ten (10) years. The company has not reflected this in the treatment of property plant and equipment but had this adjustment been made, losses would have decreased by £260,000.

Recoverability of debtors

ITM Power plc has a debtor of £456k that is long overdue regarding a contract for the delivery of a refuelling unit in California.

In 2014, ITM Power plc commissioned and paid towards the construction of refuelling equipment. At the year end, this equipment is still in ITM Power plc's possession. At this stage, the Directors believe some of the debtor is recoverable, either through a novation of the current contract or alternatively through selling the unit into the US market.

However, due to the passage of time, the Directors have considered the likely value of any recoverable debt, and as such, a provision equalling £138,000 has been made in the current year financial statements.

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

Impairment of assets

The Group tests the net recoverable amounts of assets when there are indicators of impairment.

The recoverable amounts of non-current and intangible assets are derived from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to hydrogen selling prices and direct costs (electricity) during the period.

These assumptions have been revised in the year in light of the announcements of funding from the Office for Low Emission Vehicles and the current economic environment, and is the first year that a review of the refuelling assets of the Company has been undertaken, as it is the first year of deployment.

Management estimates discount rates that reflect current market assessments of the time value of money and the risks specific to the Group of units. The Group does not have any debt, and so discount rates are based on an equity model only. The growth rates are based on specific known industry growth forecasts and the management's understanding of a likely growth curve in adoption of fuel cell electric vehicles. Growth in the hydrogen refuelling industry is predicted to be faster than in previous years as initiatives from OLEV and the Fuel Cell and Hydrogen Joint Undertaking introduce new fleets of vehicles for hydrogen.

Changes in selling prices and direct costs are based on past practices (albeit limited) and expectations of future changes in the market. It is anticipated that sales volumes will increase significantly over the next one to five years as the Group's strategy to open new refuelling stations, aligned with rollout of more vehicles – both more in number and more models – is recognised.

The Group has conducted a sensitivity analysis on the impairment test of each group of units carrying value. A cut in the growth rate by 24 percentage points would cause the carrying value of the refuelling sites to equal its recoverable amount.

The cost of capital rate is one of the most sensitive judgements for the Company, with particular sensitivity around BIG HIT and HyFive assets, with a 1% increase in the discount rate leading to an impairment.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next five years and extrapolates cash flows for the following five years based on an estimated growth rate of 80%. This rate does not exceed the average long-term growth rate for the relevant markets.

The rate used to discount the forecast cash flows for refuelling stations 30.0%.

At 30 April 2017, before impairment testing, a carrying value of £2.332m was allocated to the refuelling units, of which £1.89m was associated with the HyFive refuelling stations.

This cash generating unit's main customers will be hydrogen fleet owners, including taxi companies and high duty cycle operators, defined as travelling up to 62,000 miles per annum. As such, the Group consider a strong growth in hydrogen sales in the next five years. The Group has considered its cash flow forecasts for this CGU. The hydrogen refuelling CGU has therefore been subject to no impairment loss.

5. REVENUE, OTHER OPERATING INCOME AND INVESTMENT INCOME

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

	2017	2016
	£'000s	**£'000s**
Continuing operations		
Revenue from construction contracts	2,086	1,703
Consulting services	237	67
Maintenance services	59	50
Other	33	110
Revenue in the consolidated income statement	**2,415**	**1,930**
Grant income	4,161	3,188
	6,576	**5,118**

An analysis of the Group's revenue, by major product, is as follows:

	2017	2016
	£'000s	**£'000s**
Continuing operations		
Power-to-Gas contracts	553	1,788
Refuelling contracts	428	48
Chemical industry	1,290	–
Other	144	94
Revenue in the consolidated income statement	**2,415**	**1,930**
Grant income	4,161	3,188
	6,576	**5,118**

All revenues are derived from continuing operations.

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, evaluating performance 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.

Geographic analysis

Revenues are generated in the United Kingdom, the United States, Germany and in other parts of Europe. The United Kingdom is the Group's country of domicile but the Group also has subsidiary trading companies in the United States and Germany. All non-current assets were domiciled in the United Kingdom, with the exception of one hydrogen refuelling station in California (net book value £245k).

	2017	2016
	£'000s	£'000s
United Kingdom	238	1,853
Germany	672	72
Italy	1,290	–
Rest of Europe	117	5
North America	98	–
	2,415	**1,930**

Included in revenue are the following amounts, which each accounted for more than 10% of total revenue: Customer A £1,290,000 Customer B £401,311 (2016: Customer A £1,703,000)

6. LOSS FOR THE YEAR

	2017 £'000s	2016 £'000s
Loss for the year has been arrived at after charging (crediting)		
Net foreign exchange (gains)/losses	(441)	42
Depreciation of property, plant and equipment	1,181	619
Impairment of non-current assets	100	–
Amortisation of intangibles	20	–
Impairment of intangibles	3	–
Research and development costs	1,923	1,951
Loss on disposal of property, plant and equipment	22	70
Rentals under operating leases: Land and buildings		
Land and buildings	223	189
Government grants receivable	(4,161)	(3,188)
Staff costs (see note 7)	4,123	3,825
Cost of inventories recognised as an expense	187	108
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	30	30
The audit of the Company's subsidiaries pursuant to legislation	25	25
Total audit fees	**55**	**55**
Other services pursuant to legislation		
Interim agreed upon procedures/review work	8	19
Tax services – Tax compliance	11	11
Total non-audit fees	**19**	**30**

7. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

Name of Director	Fees/Basic salary	Benefits in kind	Annual bonuses	Pension contributions	2017	2016
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Executive						
Dr S Bourne	157	–	90	8	255	188
Dr G Cooley	185	–	176	28	389	323
Dr R Smith	95	–	–	5	100	92
Non-executive						
P Hargreaves	45	–	–	–	45	45
Prof. R Putnam	130	–	–	–	130	150
Lord Freeman	35	–	–	–	35	35
B Pendlebury	–	–	–	–	–	–
R Bone	35	–	–	–	35	35
Aggregate emoluments	**682**	**–**	**266**	**41**	**989**	**868**

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

Name of Director	Scheme	1 May 2015 Number	Granted	30 April 2016 Number	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	2017	2016
	£'000s	£'000s
Aggregate emoluments	948	828
Money purchase pension contributions	41	40
	989	**868**

Three Directors were members of money purchase schemes during the year (2016 – 2).

Remuneration of the highest paid Director		
Aggregate emoluments	361	295
Money purchase pension contributions	28	28
	389	**323**

Average number of persons employed	Number	Number
Research and development	17	17
Prototype production and engineering	32	32
Sales and marketing	9	7
Administration	10	10
	68	**66**

Staff costs during the year (including Directors)	£'000s	£'000s
Wages and salaries	3,562	3,306
Social security costs	391	354
Other pension costs	170	165
	4,123	**3,825**

As at 30 April 2017 pension contributions of £23,000 (2016 : £20,000) due in respect of the current year had not been paid over to the scheme.

8. TAX

	2017 £'000s	2016 £'000s
UK corporation tax		
Tax (charge)/credit in the year	–	359
Prior year adjustment	(230)	–
	(230)	**359**

Corporation tax is calculated at 19.9% (2016: 20%) of the estimated taxable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The charge for the year can be reconciled to the income statement as follows:

	2017 £'000s	2016 £'000s
Loss before tax		
Loss before tax	(3,550)	(4,359)
Tax on loss at blended standard UK corporation tax rate of 19.9% (2016 – 20.0%)	706	872
Factors affecting credit for the year		
Factors affecting credit for the year:		
Expenses not deductible for tax purposes	(10)	(21)
Depreciation in excess of capital allowances	(243)	(114)
Research and development enhanced relief	–	359
Adjustments in respect of prior years	(230)	–
Utilisation of brought forward losses	–	–
Unrelieved tax losses carried forward	(453)	(737)
Tax (charge)/credit for the year	**(230)**	**359**

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 £10.2374m (2016 : £11.526m) 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 £8.317m (2016 : £9.329m) in respect of accumulated tax losses and £2.057m (2016 : £2.176m) 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.

The Finance Act 2015 included provisions to reduce the rate of UK corporation tax to 19% with effect from 1 April 2017. The Finance Act 2016 included provisions to further reduce the rate of UK corporation tax to 17% with effect from 1 April 2020. Deferred taxation is measured at tax rates that are expected to apply in the periods in which temporary timing differences are expected to reserve based on tax rates and laws that have been enacted or substantively enacted at the balance sheet date. Accordingly 17% has been applied when calculating deferred tax assets and liabilities as at 31 March 2017.

9. LOSS PER SHARE

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

	2017	2016
	£'000	£'000
Loss		
Loss for the purposes of basic and diluted loss per share being net loss attributable to owners of the Company	(3,780)	(4,000)
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	222,513,007	184,566,326
Loss per Share	1.7p	2.0p

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 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 1 May 2016	2,412	1,574	491	203	1,874	1,246	7,800
Additions	229	67	118	–	921	1,475	2,810
Transfers	1,962	–	–	–	–	(1,962)	–
Disposals	(96)	(129)	(1)	(2)	–	–	(228)
At 30 April 2017	**4,507**	**1,512**	**608**	**201**	**2,795**	**759**	**10,382**
Depreciation							
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 1 May 2016	1,556	1,194	424	198	1,404	–	4,776
Disposals	(93)	(106)	(1)	(2)	–	–	(202)
Charge for the year	731	110	59	2	279	–	1,181
Impairment	–	–	–	–	–	100	100
Foreign exchange	8	–	–	–	–	–	8
At 30 April 2017	**2,202**	**1,198**	**482**	**198**	**1,683**	**100**	**5,863**
Net book value							
At 30 April 2016	**856**	**380**	**67**	**5**	**470**	**1,246**	**3,024**
At 30 April 2017	**2,305**	**314**	**126**	**3**	**1,112**	**659**	**4,519**

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

11. OTHER INTANGIBLE ASSETS

	Capitalised development costs £'000s
Capitalised development costs	
At 1 May 2015	–
Additions from internal development	252
At 1 May 2016	252
Additions from internal development	151
At 30 April 2017	**403**
Amortisation	
At 1 May 2015 and 2016	–
Impairment	3
Charge for the year	20
At 30 April 2016	**23**
Carrying amount	
At 30 April 2016	252
At 30 April 2017	380

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 30 to the Company's separate financial statements.

13. INVENTORIES

	2017	2016
	£'000s	**£'000s (Restated)***
Raw materials	342	111
Work in progress	418	180
	760	**291**

*Balance has been restated as the increase of raw materials purchased in 2017 has led to classification of inventory to assist understanding of stock held that is not contract-related.

14. CONSTRUCTION CONTRACTS

	2017	2016
	£'000s	**£'000s**
Contracts in progress at the balance sheet date:		
Amounts due from contract customers included in trade and other receivables	779	58
Contract costs incurred plus recognised profits less recognised losses to date	2,215	1,703
Less: progress billings	(2,734)	(1,802)
	(519)	(99)

At 30 April 2017, retentions held by customers for contract work amounted to £33k (2016: £60k). Advances received from customers for contract work amounted to £510k (2016: £66k).

At 30 April 2017, no amounts (2016: £Nil) included in trade and other receivables and arising from construction contracts are due for settlement after more than 12 months.

15. TRADE AND OTHER RECEIVABLES

	2017 £'000s	2016 £'000s
Trade and other receivables		
Amount receivable for the sale of goods	61	16
Amounts due from construction contract customers (note 14)	779	58
Amounts receivable under grant claims	1,133	1,726
Allowance for doubtful debts	(166)	(29)
Other receivables	317	15
Corporation tax	191	669
Prepayments and accrued income	8,767	4,032
	11,082	**6,487**

Trade receivables disclosed above are classified as loans and receivables and are therefore measured at amortised cost. Their ageing is analysed as follows:

	2017 £'000s	2016 £'000s
Less than 30 days	78	896
31-60 days	319	100
61-90 days	86	1
91-120 days	5	24
Greater than 120 days	1,484	779
	1,972	**1,800**

There were receivables totalling £1,318k (2016 : £784k) that were overdue but considered fully recoverable. Of these £994k has already been received post year-end and the remaining sum relates to the overdue contract in ITM Power plc described in note 3 – Recoverability of Debtors, for which a partial provision has been made.

	2017 £'000s	2016 £'000s
Movement in the allowance for doubtful debts		
Balance at the beginning of the year	(29)	–
Impairment losses recognised	(166)	(29)
Amounts written off during the year as uncollectible	26	–
Impairment losses reversed	3	–
	(166)	**(29)**

16. CASH AND CASH EQUIVALENTS

	2017	2016
	£'000s	**£'000s**
Cash and cash equivalents	1,558	1,207
Restricted cash and cash equivalents	1,446	2,129
	3,004	**3,336**

Cash and cash equivalents 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.

Restricted Cash and Cash equivalents are held on guarantee for construction contracts and will be released upon the completion of certain milestones, which are either technical or time-bound.

17. TRADE AND OTHER PAYABLES

	2017	2016
	£'000s	**£'000s**
Trade and other payables		
Trade payables	923	665
Other taxation and social security	126	197
Other creditors	7	14
Accruals and deferred income	5,610	879
	6,666	**1,755**

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

18. PROVISIONS

	£'000s
Warranty provision	
Balance at 1 May 2015	(108)
Release of unused provision	108
Balance at 1 May 2016	–
Additional provision in year	(9)
Balance at 30 April 2017	**(9)**

The warranty provision represents management's best estimate of the Group's liability under 12-month warranties granted on products, based on historical knowledge of the products and their components.

19. CALLED UP SHARE CAPITAL AND RESERVES

	2017 £'000s	2016 £'000s
Called up, allotted and fully paid: 250,613,176 (2016 : 216,892,973) ordinary shares of 5p each	12,531	10,845
Authorised Share capital: 256,350,790 (2016 : 222,630,587) ordinary shares of 5p each	12,818	11,131

During the year the Company issued 33,720,203 ordinary shares of 5p each for a consideration of £5,732,435. The effect on the share premium account is shown below:

	2017 £'000s	2016 £'000s
Share premium balance at start of year	58,151	54,738
Issue of shares	4,046	3,879
Expenses associated with issue of shares	(267)	(466)
Share premium balance at end of year	**61,930**	**58,151**

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

The foreign exchange reserve arises upon consolidation of the foreign subsidiaries in the Group, and accounts for the difference created by translation of the income statement at average rate compared with the year-end rate used on the balance sheet. The Group's other reserve is retained earnings which represents cumulative profits or losses, net of dividends paid and other adjustments.

20. NOTES TO THE CASH FLOW STATEMENT

	2017	2016
	£'000s	£'000s
Loss from operations	(3,550)	(4,359)
Adjustments for property, plant and equipment		
Depreciation	1,181	619
Loss on disposal	22	67
Impairment of assets under construction	100	–
Amortisation	23	–
Operating cash flows before movements in working capital	(2,224)	(3,673)
(Increase)/Decrease in inventories	(469)	221
Increase in receivables	(5,363)	(1,998)
Increase/(Decrease) in payables	2,747	(1,540)
Increase/(Decrease) in provisions	9	(108)
Cash used in operations	(5,300)	(7,098)
Income taxes received	252	–
Net cash used in operating activities	**(5,048)**	**(7,098)**

21. CAPITAL COMMITMENTS

The Group had no capital commitments at the balance sheet date (2016 : none).

22. 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:

	2017	2016
	£'000s	£'000s
Land and buildings		
Within one year	229	162
Between two and five years	559	605

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

23. 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.

	2017		2016	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding at the beginning of the year	5,737,614	32p	5,737,614	32p
Granted during the year	–	–	–	–
Exercised during the year	–	–	–	–
Expired during the year	(280,867)	54p	–	–
Outstanding at the end of the year	**5,456,747**	**32p**	**5,737,614**	**32p**
Exercisable at the end of the year	**5,456,747**	**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 options outstanding at 30 April 2017 had a weighted average exercise price of 32p and a weighted average remaining contractual life of 2 years.

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.

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

	2017 £'000s	2016 £'000s
Weighted averages		
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 (2016 : £Nil).

24. 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 fulfil the existing pipeline.

The current capital risk management objective is to ensure that the existing pipeline can be delivered without the need for further financing.

The group manages cash balances in dollars, euros and pound sterling, with natural hedges occurring for most transactions. The group also have money placed on guarantee that can require cash cover, which it considers to be an externally imposed capital requirement.

During the year the Group was not required to comply with any externally imposed capital requirements, with the exception of placing on guarantee contract amounts for projects.

The capital risk management landscape has not materially changed in the last year for the Group.

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.

	2017	2016
Categories of financial instruments	**£'000s**	**£'000s**
Financial assets		
Cash balances, loans and receivables	5,128	5,136

The Group's financial assets consist of cash and receivables. The latter are largely due from grant bodies and large organisations with a strong credit history. ITM Power plc do not consider there to be undue risk associated with receivables.

	2017	2016
Categories of financial instruments	**£'000s**	**£'000s**
Financial liabilities		
Amortised cost	1,056	877

Fair value measurements

As at 30 April 2017, the Group had no financial instruments that were measured at fair value through profit or loss (2016 : none). The carrying value of all financial instruments at 30 April 2017 and 30 April 2016 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.

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.

The company, in the early stages of commercialisation, are on occasion subject to challenging

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 opposite 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 2017, these exposures were as follows:

	Liabilities		Assets	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
EUR	20	62	1,628	1,779
USD	13	41	51	4
SEK	–	–	23	28
	33	**103**	**1,702**	**1,811**

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 inter-company balances and intangible assets held at the date of acquisition of the Group by ITM Power plc.

	EURO impact		USD impact	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Profit or loss	12	16(i)	99	20(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 £111,000 (2016 : £36,000).

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.

25. 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.

Sales of hydrogen fuel to JCB Research in the year totalled £68.39 (2016: £nil).

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.

26. CONTROLLING PARTY

As at the date of these accounts neither the Directors together, nor 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
YEAR ENDED 30 APRIL 2017

	Called up share capital £'000	Share premium account £'000	Retained loss £'000	Total equity £'000
	£'000s	£'000s	£'000s	£'000s
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, which equals comprehensive losses	–	–	(25,735)	(25,735)
At 30 April 2016	**10,845**	**58,151**	**(39,598)**	**29,398**
At 1 May 2016	10,845	58,151	(39,598)	29,398
Issue of shares	1,686	3,779	–	5,465
Loss for the year, which equals comprehensive losses	–	–	(10,109)	(10,109)
At 30 April 2017	**12,531**	**61,930**	**(49,707)**	**24,754**

COMPANY BALANCE SHEET
YEAR ENDED 30 APRIL 2017

	Note	2017	2016
		£'000s	£'000s
Fixed assets			
Tangible assets	29	13	21
Investments	30	24,612	28,859
		24,625	28,880
Current assets			
Debtors	31	259	111
Cash at bank and in hand		115	769
		374	**880**
Creditors: Amounts falling due within one year	32	(245)	(362)
Net current assets		129	518
Total assets less current liabilities, being net assets		24,754	29,398
Capital and reserves			
Called-up share capital	33	12,531	10,845
Share premium account		61,930	58,151
Profit and loss account		(49,707)	(39,598)
Shareholders' funds		**24,754**	**29,398**

The Company reported a loss for the financial year ended 30 April 2017 of £10.1m (2016: £25.7m).

The financial statements of ITM Power plc, registered number 05059407, were approved by the Board of Directors and authorised for issue on 24 August 2017.

Signed on behalf of the Board of Directors

Dr. Rachel Smith
ITM Power plc, Executive Director

27. SIGNIFICANT ACCOUNTING POLICIES

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 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. Accordingly, in the year ended 30 April 2017 the Company has decided to adopt FRS 101 early and has undergone transition from reporting under IFRSs adopted by the European Union 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 payment, 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.

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.

Share option charges

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non-market-based vesting conditions. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 23.

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 equity instruments that will eventually vest. At each balance sheet date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves.

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.

28. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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.

There were no critical judgements that the Directors have made in the process of applying the Company's accounting policies.

Key Sources of Estimation Uncertainty

Recoverability of investment
The Group tests the net recoverable amounts of assets annually for impairment, or more frequently if there are indications that goodwill might be impaired.

During the year, management reconsidered the recoverability of its investment in subsidiary companies which are disclosed in note 30. The subsidiaries continue to trade, but currently are trading at a loss, which is seen as temporary by management. However, in considering each subsidiary as a cash generating unit, the Company prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next five years and extrapolates cash flows for the following five years based on an estimated growth rate of 80%. This rate does not exceed the average long-term growth rate for the relevant markets.

29. TANGIBLE FIXED ASSETS

	Computer equipment	Office furniture and fittings	Leasehold improvements	Total
	£'000s	£'000s	£'000s	£'000s
Cost				
At 1 May 2016	178	12	10	200
Additions	8	–	–	8
Disposals	–	–	–	–
At 30 April 2017	**186**	**12**	**10**	**208**
Deprecation				
At 1 May 2016	157	12	10	179
Charge for the year	16	–	–	16
Disposals	–	–	–	–
At 30 April 2017	**173**	**12**	**10**	**195**
Net book value				
At 30 April 2017	**13**	**–**	**–**	**13**
At 30 April 2016	**21**	**–**	**–**	**21**

30. INVESTMENTS

	Loans to subsidiary undertakings	Shares in subsidiary undertakings	Total
	£'000s	£'000s	£'000s
Cost			
At 1 May 2016	56,098	3,593	59,691
Additions	5,222	–	5,221
At 30 April 2017	**61,320**	**3,593**	**64,913**
Provisions for impairment			
At 1 May 2016	30,832	–	30,832
Movement in year	9,469	–	9,469
At 30 April 2017	40,301	–	40,301
Net book value			
At 30 April 2017	**21,019**	**3,593**	**24,831**
At 30 April 2016	**25,266**	**3,593**	**28,859**

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 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.

All of the above are registered at 22 Atlas Way, Sheffield, South Yorkshire, S4 7QQ.

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. Registered office: Postfach 1152, 35301 Grünberg, Mragowo Strasse 15, 35305 Grünberg, Germany

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. Registered office: 155 N Riverview Dr, Suite 101, Anaheim, CA 92808.

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 was dormant during the year. Registered office: H.C. Andersens Boulevard 12, 1553 Copenhagen.

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. Registered office: Cirrus Building 6 International Avenue, Abz Business Park Dyce Drive, Dyce, Aberdeen, Aberdeenshire, United Kingdom, AB21 0BH.

31. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017	2016
Categories of financial instruments	**£'000s**	**£'000s**
Other debtors	156	13
Prepayments	103	98
	259	**111**

32. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017	2016
Categories of financial instruments	**£'000s**	**£'000s**
Trade creditors	21	64
Payroll creditors	16	16
VAT creditors	–	84
Accruals and deferred income	208	198
	245	**362**

33. SHARE CAPITAL AND RESERVES

The movements on share capital and share premium accounts are disclosed in note 19 to the consolidated financial statements.

The Company's other reserve is the profit and loss reserve which represents cumulative profits or losses, net of dividends paid and other adjustments.

34. 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.

2016 REGULATORY NEWS ANNOUNCEMENTS

2016			
RNS-R	Thuga Group Power-to-Gas Operational Update	Company Announcement - General	13/06/2016
RNS	European Hydrogen Refuelling Stations Project	Company Announcement - General	14/06/2016
RNS	Update on Pipeline	Company Announcement - General	24/06/2016
RNS	Refuelling Station sale to Hydrogène de France	Mergers, Acquisitions and Disposals	29/06/2016
RNS	Final Results	Results and Trading Reports	29/07/2016
RNS	Price Monitoring Extension	Company Announcement - General	01/08/2016
RNS	Second Price Monitoring Extn	Company Announcement - General	01/08/2016
RNS-R	Fuel Contract with Commercial Group	Company Announcement - General	23/08/2016
RNS-R	ITM Power plc signs Fuel Contract with Arcola Energy	Company Announcement - General	26/08/2016
RNS	Appointment of new MD to German subsidiary	Company Announcement - General	07/09/2016
RNS	Result of AGM	Results and Trading Reports	15/09/2016
RNS	Price Monitoring Extension	Company Announcement - General	16/09/2016
RNS-R	Upgrade to M1 Hydrogen Refuelling Station	Company Announcement - General	22/09/2016
RNS-R	Hydrogen Vehicle Rally, Solar HRS Launch in London	Company Announcement - General	11/10/2016
RNS-R	Fuel Contract with Arval	Company Announcement - General	14/10/2016
RNS	Price Monitoring Extension	Company Announcement - General	21/10/2016
RNS-R	Fuel Contract with Hyundai Motor UK	Company Announcement - General	04/11/2016
RNS-R	Fuel Contract with Europcar	Company Announcement - General	14/11/2016
RNS	Sale of 1.25 MW Electrolyser	Company Announcement - General	18/11/2016
RNS-R	Shell Hydrogen Refuelling Stations Update	Company Announcement - General	18/11/2016
RNS-R	Fuel Contract with Anglo American	Company Announcement - General	23/11/2016
RNS	Ofgem Funding for UK Power-to-Gas	Company Announcement - General	30/11/2016
RNS-R	EU Directives to Drive Power-to-Gas Energy Storage	Company Announcement - General	01/12/2016
RNS-R	100MW electrolyser designs to launch at Hannover	Company Announcement - General	12/12/2016

2017 REGULATORY NEWS ANNOUNCEMENTS

2017			
RNS	Euro 0.7 million Electrolyser Sale	Company Announcement - General	11/01/2017
RNS	Proposed Accelerated Bookbuild	Company Announcement - General	26/01/2017
RNS	Half Year Results	Results and Trading Reports	26/01/2017
RNS	Close of Accelerated Bookbuild	Company Announcement - General	26/01/2017
RNS	Confirmation of Successful £5.7 million Fundraise	Company Announcement - General	26/01/2017
RNS	Posting of Circular	Company Announcement - General	27/01/2017
RNS	Price Monitoring Extension	Company Announcement - General	02/02/2017
RNS	Second Price Monitoring Extn	Company Announcement - General	02/02/2017
RNS	Result of General Meeting and TVR	Company Announcement - General	16/02/2017
RNS	Director/PDMR Shareholding	Company Announcement - General	17/02/2017
RNS	Holding(s) in Company	Holding(s) in Company	20/02/2017
RNS-R	First Hydrogen Refuelling Station with Shell Opens	Company Announcement - General	22/02/2017
RNS-R	Align Research ITM Power plc update note release	Company Announcement - General	28/02/2017
RNS-R	HRS Update	Company Announcement - General	13/03/2017
RNS-R	New OLEV Funding	Company Announcement - General	20/03/2017
RNS	£0.73m Electrolyser Sale	Company Announcement - General	27/03/2017
RNS	Price Monitoring Extension	Company Announcement - General	28/03/2017
RNS	Second Price Monitoring Extn	Company Announcement - General	28/03/2017
RNS	ITM Power plc Secures £3.5m 3MW Electrolyser Contract	Company Announcement - General	03/04/2017
RNS	Contract and Operations Update	Company Announcement - General	18/04/2017

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