ITM POWER
Energy Storage | Clean Fuel

ITM POWER 18

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

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.


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

CONTENTS


Shell
ITM POWER
Energy Storage | Clean Fuel
Shell
V-Power
Performance Fuels
POWERED BY HYDROGEN

COMPANY UPDATES

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


HANNOVER MESSE
HYDROGEN
FUEL CELLS
SUPPLY
DEMAND

HANNOVER MESSE

23 – 27 April 2018

The 71st Hannover Messe took place in April and attracted over 210,000 visitors, with over 70,000 coming from across the globe. The energy halls were centered on energy efficiency in direct correlation with climate protection. The focus was on decentralised, smart energy systems and infrastructure solutions for the environmentally friendly mobility of the future, ensuring that the Hydrogen and Fuel Cell area had a high concentration of interested visitors.

ITM Power Plc attracted a large number of interesting visitors to the stand, which was positioned in the heart of the Hydrogen Zone. The company showcased a complete 80kg/day PEM electrolyser, as well as the more recent 2.2MW stack design, both of which received a great level of interest.

Dr Simon Bourne gave a presentation on the Refhyne project, *Hydrogen for refinery applications: building the world's largest PEM electrolyser* which was very well attended; and Calum McConnell, Geschäftsführer, ITM Power GmbH, presented on HyDiesel *Treibhausgas Reduzierung mit grünem Wasserstoff.* Both presentations can be viewed on the company's YouTube channel.

REFHYNE KICK OFF

January 18th marked the project kick-off for the Refhyne project to install a 10MW electrolyser to produce hydrogen at the Shell owned Wesseling refinery site within the Rheinland Refinery Complex in Germany.

The kick-off event was attended by numerous representatives from politics and business in the Rhineland refinery which included: Principal Adviser to the Director-General for Energy at the Commission of the European Union; Brussels; Head of Climate Protection Department; Ministry of Economy, Innovation, Digitization and Energy of North Rhine-Westphalia; and Executive Director, EU Fuel Cell and Hydrogen Joint Undertaking, Brussels.

REFHYNE
CLEAN REFINERY HYDROGEN FOR EUROPE

Renewable electricity can support decarbonisation not only of the power sector, but, through sectoral integration also of other carbon intensive industries, such as refining. Green hydrogen is a key enabler in this process, contributing to the Energy Union objectives both in terms of emission reductions and increased renewables share. Therefore, we strongly support innovation activities, and the Refhyne project is a great illustration thanks to the world's largest PEM electrolyser application in a refinery.

Tudor Constantinescu
Principal Adviser to the Director-General for Energy at the Commission of the European Union, Brussels

Thanks to the different European research projects by the FCH JU in this area, there is now a window of opportunity for these new generation electrolysers to prove themselves in heavy industries like refineries. We are proud to see the scaling-up of PEM electrolysers to 10MW to decarbonise the industry sector.

Bart Biebuyck
Executive Director, EU Fuel Cell and Hydrogen Joint Undertaking, Brussels

20 TONNE/DAY HYDROGEN REFUELLING STATION DESIGNS

In August, ITM Power Plc attended the first Hydrogen and Fuel Cells North America event, which ran alongside the large solar power event in Las Vegas.

The large-scale refuelling station designs are based around electrolyser configurations of up to 50MW in size with the capability to produce up to 20 tonnes of hydrogen per day. This is in response to industry demand for larger scale industrial installations for refuelling heavy logistics vehicles, such as road haulage vehicles, ships and trains.

INDUSTRY DEVELOPMENTS

On 13 November, the Hydrogen Council published a first-of-a kind study detailing hydrogen's potential to be a key pillar of the energy transition. The study concluded that when deployed at scale, hydrogen could account for almost one-fifth of total final energy consumed by 2050. This would reduce annual CO_2 emissions by roughly six gigatons compared to today's levels, and contribute roughly 20% of the abatement required to limit global warming to two degrees Celsius.

FUEL CONTRACTS

ITM Power Plc continue to grow the number of fuel contracts signed to supply hydrogen gas as a transport fuel. In July, a contract was signed with Honda UK to supply hydrogen from any of ITM Power Plc's stations.

Honda joined other companies such as Toyota GB plc, Hyundai Motor UK Ltd, Commercial Group, Skanska, UlemCo Ltd, Arval UK Ltd, UK Government Car Service, Arcola Energy, Johnson Matthey, Europcar, The Science Museum, JCB, Anglo American, Green Tomato Cars, Yorkshire Ambulance Service and Northern Gas Networks, who now all use ITM Power Plc stations.

In July, the new UK Government Air Quality Plan was announced. It stated that it would ban all new non-zero emission passenger cars by 2040 which represented an historic first step towards cleaner and greener transport in the UK. This means that no further petrol and diesel passenger cars (including hybrids) would be available from this date.

WORLD'S LARGEST HYDROGEN ELECTROLYSIS IN SHELL'S RHINELAND REFINERY

On the 1st September 2017, ITM Power Plc announced a 10MW Refinery Hydrogen Project with Shell called Refhyne. The project will install a large-scale electrolyser to produce hydrogen at the Wesseling refinery site within the Rheinland Refinery Complex. With a capacity of ten megawatts, this will be the largest unit of its kind in Germany and the world's largest PEM (Polymer Electrolyte Membrane) electrolyser. This electrolyser technology is also suitable to improve the stability of the electricity grid with a growing share of intermittent renewable energy sources, such as from solar and wind.

Today, the refinery uses approximately 180,000 tonnes of hydrogen per year in their various plants. The hydrogen is currently produced as a byproduct of the refining process or through natural gas reforming, while electrolysis uses electricity to split water into the base components of hydrogen and oxygen.

Lori Ryerkerk
Shell Manufacturing, Executive Vice President

A unit of this kind brings a flexibility that can help the stability of the power grid, thereby facilitating more use of renewable electricity. In addition, if powered by renewable electricity, the green hydrogen will help reduce the carbon intensity of the site – a key goal for us.

Dr Graham Cooley
ITM Power Plc, CEO

Decarbonising hydrogen production in the chemical and refining industries worldwide is potentially a very large market. This pioneering project with Shell aims to demonstrate what can be achieved using our industrial scale electrolysers which can also use low cost renewable energy and help to balance electricity grids.

Dr. Thomas Zengerly
Shell Rheinland Refinery, General Manager

The envisaged hydrogen electrolysis would be a step into the future – opening the door to many new development options for the refinery. The location will also allow the refinery to later expand its facilities to supply hydrogen to potential new customers outside the refinery.

The project aims to enable the construction and operation of a large-scale 10MW electrolyser that can produce high quality hydrogen and CO_2 free hydrogen, while demonstrating technology and cost improvements through upscaling and new business applications. Electrolysis using low-cost renewable electricity could be a key technology for a potential CO_2 free hydrogen production in the Shell Rheinland Refinery.

Detailed technical planning and the approval process will now begin. The project, named 'Refhyne' is scheduled to be in operation in 2020 and will be the first industrial scale test of the PEM technology process.

Brian Davis
Integrated Energy Solutions at Shell, Vice President

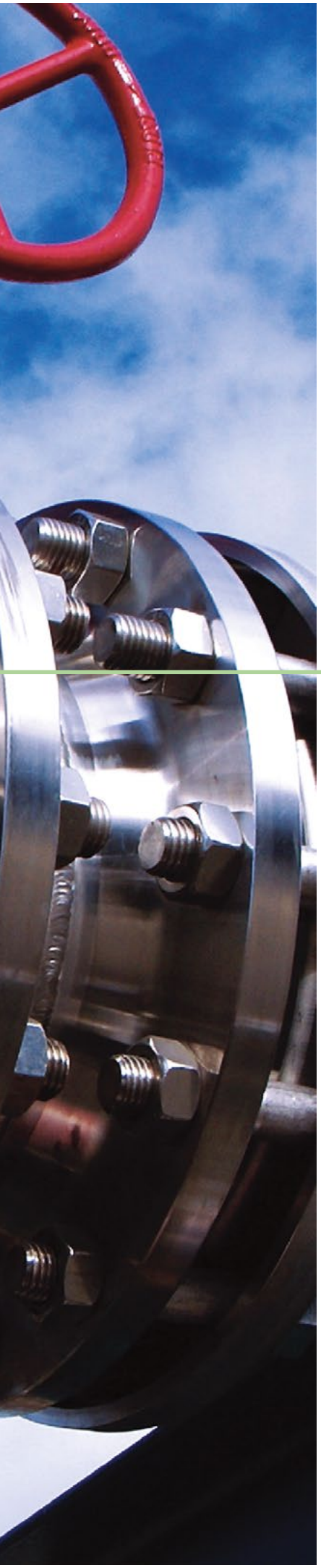
Hydrogen is a promising technology, even beyond direct use as a cleaner fuel for transport. In the future, it is also expected to play a key role in integrating energy storage and power grid balancing, thus enabling a reliable and growing share of renewables in the energy system.

Bart Biebuyck
EU Fuel Cell & Hydrogen Joint Undertaking, Executive Director

Thanks to the different European research projects by the FCH JU in this area, there is now a window of opportunity for these new generation electrolysers to prove themselves in heavy industries like refineries. We are proud to see the scaling-up of PEM electrolysers to 10 MW to decarbonise the industry sector.

Johannes Daum
NOW National Organisation, Program Manager

Major projects such as 10MW PEM electrolysis demonstrate the suitability for everyday use of processes on an industrial scale and improve the profitability of producing hydrogen. They are an important step in the integration of hydrogen into the energy system and make a decisive contribution to implementing the energy transition in all consumption sectors.



ENERGY STORAGE

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 PROJECT

The National Grid HyDeploy project is well underway and excellent progress has been made across the programme. The HyDeploy project seeks to address a key issue for the UK, namely how to reduce the carbon footprint as a result of heating homes. The UK has a world class gas grid delivering heat conveniently and safely to over 83% of homes.

Emissions could be reduced by lowering the carbon content of gas through blending with hydrogen. HyDeploy is a Network Innovation Competition (NIC) funded project which aims to establish the level of hydrogen that can be safely blended with natural gas for transport and use in the UK gas network.

HyDeploy

ITM Power Plc has started work examining the potential deployment of large-scale Power-to-Gas energy storage within the boundaries of the Northern Gas Networks gas distribution system. The work, funded by the Department for Business, Energy and Industrial Strategy (BEIS) as part of the Energy Storage Feasibility Study Competition launched in January 2017, that was completed in Q1 2018.

BEIS is also undertaking a £25m project to explore the potential use of hydrogen gas for heating UK homes and businesses. The project will run from 2017 to 2021 and will aim to define a hydrogen quality standard, and to explore, develop and test domestic and commercial hydrogen appliances.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WORLD FIRST TIDAL POWER TO GENERATE HYDROGEN

In August, ITM Power Plc became the first company to generate hydrogen using electricity from tidal power in the world. This took place at the European Marine Energy Centre (EMEC) in Orkney.

The hydrogen was generated by harnessing the power of the tide at EMEC's tidal energy test site at the Fall of Warness, Eday, Orkney, prototype tidal energy converters, which then fed power into the ITM Power's electrolyser situated next to EMEC's onshore substation.

ITM Power Plc, won a competitive tender to supply a system to EMEC back in 2015. The electrolyser is a 0.5MW system and is housed in a standard 20' by 10' ISO container with hydrogen generation capacity of up to 220kg/24hours and comes with integrated compression and up to 500kg of storage.

Whilst the initial driver behind buying an electrolyser was to provide a storage solution to circumvent local grid constraints, the purchase has sparked off other pioneering projects around Orkney looking to use hydrogen in various means. So we're now looking towards the development of a hydrogen economy in Orkney.

Neil Kermode
EMEC, Managing Director

SURF 'N' TURF PROJECT

One of the projects that will be using EMEC's electrolyser is the Surf 'n' Turf project being led by Community Energy Scotland in partnership with Orkney Islands Council, EMEC, Eday Renewable Energy and ITM Power Plc.

The Surf 'n' Turf project will see the electrolyser producing hydrogen using electricity from EMEC's test site as well as power from a 900kW Enercon wind turbine owned by the Eday community. The hydrogen will then be transported to Kirkwall, where a fuel cell installed on the pier will convert the hydrogen back into electricity for use as auxiliary power for ferries when tied up overnight. The project is also developing a training programme with a view to green hydrogen eventually being used as a fuel source on the inter-island ferries themselves.

It's fantastic to see this achievement. Getting the most out of the islands' renewable resources is the driving force behind the Surf 'n' Turf project of which this electrolyser is a key part.

Mark Hull
Community Energy Scotland, Head of Innovation

LARGE-SCALE POWER-TO-GAS ENERGY STORAGE DEPLOYMENT STUDY

In November, ITM Power Plc announced that it has secured funding from the Department for Business, Energy and Industrial Strategy (BEIS) as part of the Energy Storage Feasibility Study Competition launched in January 2017, to collaborate with Northern Gas Networks (NGN) to undertake a study examining the potential deployment of large-scale Power-to-Gas energy storage.

The feasibility study will focus on deployments capable of operating cost-effectively from 50MWh energy storage capacity upwards within the boundaries of the NGN gas distribution network. The study will provide detailed technical, economic and site-specific information about large-scale Power-to-Gas energy storage which will enable a decision on a potential large-scale energy storage demonstration project.

The whole systems approach and Power-to-Gas technology are incredibly exciting prospects for the UK's future energy mix. As renewable power generation increases, effective storage and transmission of surplus power will become ever more important. Instead of being lost, this surplus power has the potential to be turned into alternative green fuels such as hydrogen, and stored in the gas network for later use in transport, heat or generation.

Mark Horsley
Northern Gas Networks, CEO

NORTHERN GAS NETWORKS DEPLOYMENT STUDY FINDINGS

The focus of the study was on deployments capable of operating cost-effectively from 50MW energy storage capacity upwards within the boundaries of the NGN gas distribution network.

Findings

Four locations would be suitable for a large-scale first-of-a-kind Power-to-Gas demonstration supplying the stored energy to either majority domestic or industrial gas customers. Of the four locations Low Thornley in Gateshead is recommended as the most suitable site for deployment of a large-scale first-of-a-kind Power-to-Gas demonstration facility in the size range 50–100MW.

Low Thornley's close proximity to the A1 and the urban centres of Newcastle and Gateshead would provide opportunity for local export of hydrogen necessary to develop a local hydrogen refuelling station network, which would enable Fuel Cell Electric Vehicles to travel from London to Aberdeen.

The recommended next steps are:

- Undertake a Front End Engineering Design (FEED) study for a large-scale Power-to-Gas demonstrator in the size range 50–100MW to be built at the NGN's Low Thornley site, to fully scope the programme and to establish the cost to build, install, commission and demonstrate the facility.
- Develop and agree a UK-wide gas network industry strategy for the wider demonstration and deployment of Power-to-Gas energy storage as a near-term contribution to the decarbonisation of heat and as a means to support the wider deployment of renewable generation by providing a route to a proven technology which can bridge the power and energy networks.

Process

Areas of existing network constraint on the electricity distribution network were identified and the system balancing mechanisms in use by the System Operator were reviewed. Candidate locations were identified within the area of NGN's two Local Distribution Zones (LDZ), that could form the basis for large-scale Power-to-Gas energy storage demonstration-sites on NGN's large-scale distributed gas network.

Hydrogen production and efficiency data was taken from ITM Power's existing electrolysers and extrapolated to provide a long-list of hydrogen production rates up to 100MW size that could accommodate hydrogen injection at 20%vol. The long-list sites were categorised based on their ability to support the volumes of hydrogen energy produced by electrolysis at different scales and gas demand conditions.

Cross-sector export opportunities for hydrogen as a transport fuel for Fuel Cell Electric Vehicles (FCEV) in the North and North East regions were investigated using the rollout strategy set out by the industry/Government led UK Hydrogen Mobility (UKH^{2}Mobility). Conclusions were drawn and suggestions made for the location and scale for a next step first-of-a-kind deployment and demonstration of large-scale Power-to-Gas energy storage project in the region.

SALE OF 1.1MW SYSTEM TO ENERGYSTOCK

In September, ITM Power Plc announced that EnergyStock, a subsidiary of Gasunie, the Dutch gas transmission network operator, purchased an ITM Power 1.1MW rapid-response PEM electrolyser. The sale was won in a competitive tender process and includes an after-sales support contract.
The electrolyser will be located at EnergyStock's Zuidwending salt cavern storage facility in northern Netherlands, and the generated hydrogen will be either used on-site within EnergyStock's systems, or dispensed into tube trailers for supply to future hydrogen refuelling stations. Power will be delivered to the equipment via TenneT's high voltage electricity network.

> *Converting excess renewable electricity into renewable gas and/or long-term storable clean energy enables a utility like Holyoke Gas and Electric to achieve benefits for both sides of our business. Holyoke Gas and Electric is looking forward to assessing the potential benefits and use cases for this technology with ITM Power Plc.*
>
> **Brian Beauregard**
> **Holyoke Gas and Electric, Superintendent**

MASSACHUSETTS POWER-TO-GAS FEASIBILITY STUDY

In April, ITM Power Plc announced the award of a grant from the Massachusetts Clean Energy Center (MassCEC) to undertake a multi-MW Power-to-Gas (P2G) feasibility study for the Massachusetts region.

The study will assess the potential for P2G energy storage and hydrogen fuel for the Massachusetts region in collaboration with Holyoke Gas and Electric (HG&E), a local gas and electricity utility, and will determine the technical and economic feasibility for P2G and hydrogen fuel derived from renewable energy sources.

In December 2016, The Massachusetts Department of Energy Resources (DOER) adopted a 200 Megawatt hour (MWh) energy storage target for electric distribution companies to procure viable and cost-effective energy storage systems to be achieved by January 1st, 2020.

"This technology has the potential to make British Columbia a major player in the worldwide hydrogen economy. This project is a clear indicator that, as we move toward a strong, sustainable energy future, B.C.'s renewable and innovative clean energy resources make us an attractive destination for global investment.

Michelle Mungall
Mines and Petroleum Resources, British Columbia's Minister of Energy

BRITISH COLUMBIA RENEWABLE HYDROGEN STUDY

In March, ITM Power Plc announced an award of a grant from the British Columbia Government Ministries of Energy, Mines and Petroleum Resources and Jobs, Trade and Technology to undertake a Power-to-Gas (P2G) feasibility study.

In the initial phase of the project, ITM Power Plc will undertake a techno-economic feasibility study for the large-scale centralised production of renewable hydrogen in the province of British Columbia (B.C.). The project team includes ITM Power Plc, Chiyoda Corporation, Mitsui & Co. Ltd. and G&S Budd Consulting Ltd. The project is due to commence in Q2 2018 and has a duration of 12 months.

There is a growing demand for hydrogen in parts of the world that are leading the transition away from conventional energy sources to renewable, clean energy for both motive and stationary power applications. British Columbia's grid is one of the cleanest in the world in terms of carbon emissions, with 92% of the power generated by hydro, and has competitive electricity rates. This positions B.C. as a strong candidate for production of renewable hydrogen generated via electrolysis.


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CLEAN FUEL

> ***ITM POWER'S UK ELECTROLYSER GENERATING CAPACITY TO HIT THREE TONNE A DAY, 1K TONNE A YEAR, FOR TRANSPORT FUEL.***

Dr Simon Bourne
ITM Power Plc, Chief Technology Officer

NEW SHELL HYDROGEN FUELLING STATION OPENED AT BEACONSFIELD

In March, ITM Power Plc, along with Shell opened the first 'under the canopy' in the UK – at Beaconsfield Services on the M40. This new hydrogen refuelling station, situated at one of the busiest service stations in the UK, will be fully owned and operated by ITM Power Plc.

Situated at one of the UK's busiest service stations, Shell Beaconsfield on the M40, will be the first site in the UK to bring hydrogen under the same canopy as petrol and diesel; providing drivers with a range of fuel choices to co-exist with traditional transport fuels. The hydrogen is generated on-site using an electrolyser that requires only water and electricity to generate the hydrogen gas.

The hydrogen station at Beaconsfield, is the fifth hydrogen refuelling site in the UK to be supplied by ITM Power Plc and will be the first to be opened as part of the H2ME project. The initiative has been partially funded by the European Fuel Cells and Hydrogen Joint Undertaking (FCH JU), and the UK's Office of Low Emission Vehicles (OLEV).

A new hydrogen station in Beaconsfield is the first to sit on the main forecourt, alongside the petrol and diesel pumps. This shows a big step forward in offering a clean, green fuel, which is generated on-site.

Dr Graham Cooley
ITM Power Plc, CEO

The FCH JU is proud to see its support significantly boosting market entry of hydrogen technologies for clean mobility. The opening of this new station at the Beaconsfield forecourt proves that hydrogen is now even more the fuel of the future, and is ready to offer an everyday green solution to citizens. We need to continue building on these achievements, and enable the transition towards a low-carbon transport system.

Bart Biebuyck
FCH JU, Executive Director

WE'RE DELIGHTED TO BE OPENING A NEW REFUELLING SITE AT SHELL BEACONSFIELD, DEMONSTRATING OUR ONGOING COMMITMENT TO HYDROGEN AS A VITAL PART OF THE UK'S FUTURE TRANSPORT SYSTEM.

Mike Copson
Shell, Hydrogen Business Development Manager

£8.8M OLEV FUNDING FOR REFUELLING INFRASTRUCTURE AND FCEVS

In March, ITM Power Plc announced that a consortium including ITM Power Plc, Shell, Toyota, Honda and Hyundai has won £8.8m in funding from the Department for Transport (DfT), to improve access to an expanded network of hydrogen refuelling stations to support the continued roll-out of hydrogen Fuel Cell Electric Vehicles (FCEVs) in the UK.

Out of the £8.8m total, ITM Power Plc will receive £4.9m from the DfT to build four new hydrogen refuelling stations and to upgrade five existing hydrogen refuelling stations to increase capacity to support a larger fleet of FCEVs. The project has further funding support from the European Fuel Cells and Hydrogen Joint Undertaking (FCH JU).

Decarbonising our roads is an essential part of meeting our climate targets. The innovative new technologies involved present great opportunities for our increasingly low carbon economy.

Hydrogen has huge potential, especially for those making longer journeys and clocking up high mileage. That is what makes this project truly exciting. Not only is it demonstrating the technology in action, but it is also developing the refuelling infrastructure needed for the future.

Jesse Norman
Roads Ministery

New greener police cars to run on hydrogen
Police cars and taxis will be among nearly 200 new hydrogen powered vehicles switching to zero emission miles, thanks to a multi-million pound Government boost.

The zero emission vehicles are part of a project that has won £8.8m in funding from the DfT to improve access to hydrogen refuelling stations up and down the country and increase the number of hydrogen cars on our roads from this summer.

FUEL CONTRACT WITH THE METROPOLITAN POLICE

ITM Power Plc also signed a fuel contract with the Metropolitan Police.

The Met is committed, alongside the Mayor, to making their service as environmentally friendly as possible and a big part of that work is ensuring that the fleet is green. Since late 2015, the Met have been actively exploring ways to hybridise and electrify their fleet as well as exploring other new technologies such as hydrogen. This is enabling the Met to make great strides towards their ambition of procuring 550 vehicles as zero- or ultra-low emission by 2020.

We are working closely with ITM Power Plc to roll-out our new fleet of zero emission vehicles. The quick refuelling time, comparable to that of a traditional internal combustion engine vehicle, and long driving range make Toyota's hydrogen powered Fuel Cell Electric Vehicle an ideal zero emission response vehicle.

Jiggs Bharij
Metropolitan Police, Head of Fleet Services


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TECNICO PARTNER
SCUDERIA FERRARI
CLERK
Refueling guide
Hydrogen - Car

REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 30 APRIL 2018

This financial year has been a period of significant development for ITM Power Plc. With revenue increasing by 53%, the Company has been focussed on the expansion of staff and the planning of the new, larger production facilities. We've also been learning how to maximise a growing portfolio of revenue generating assets in the shape of the first real hydrogen refuelling network in the UK. Finally, Power-to-Gas is now demonstrating real traction around the world and we remain very well placed to benefit from this development with our long-running reference plant in Germany.

Dr Graham Cooley
ITM Power Plc, CEO

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 £30.6m 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 (resigned 31/10/17)
R Pendlebury
Prof R Putnam
Dr R Smith
A Allen (appointed 21/05/18)

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London, EC2V 7QP

BANKERS
National Westminster Bank Plc
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Lincolnshire, PE9 2YH

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Bristol, BS2 0ZX

AUDITOR
Grant Thornton UK LLP
Statutory auditor
2 Broadfield Court,
Sheffield, S8 0XF

PRESS AND INVESTOR ENQUIRIES
Tavistock Communications Ltd
1 Cornhill,
London, EC3V 3ND

HIGHLIGHTS

COMMERCIAL PROGRESS IN YEAR

Hydrogen fuel

- £8.8m OLEV funding as part of the delivery of the largest expansion of hydrogen refuelling station (HRS) infrastructure in the UK
- 14 wholly owned HRS assets in ITM Power Plc's portfolio:
  - six are open to the public
  - three are already under construction and due to open Q3 2018
  - five further stations now fully funded and in the planning stages due to open Q2 2019
- UK Electrolyser HRS Generating Capacity to hit 3 Tonne/day, 1k Tonne/year
- Fuel contract with the Metropolitan Police and others to refuel 200 new FCEVs
- New hydrogen refuelling station opened at Shell Beaconsfield on the M40
- Hydrogen fuel contracts are now 20 in total
- Fuel sales increased to 16 tonnes for the period, up 672%

Power-to-Gas (P2G)

- Completed large-scale P2G Deployment Study with Northern Gas
- Grant to undertake a multi-MW P2G feasibility study for the Massachusetts region
- Grant to evaluate P2G in British Columbia with BC Hydro, Chiyoda and Mitsui

Renewable chemistry

- 10MW refinery hydrogen project with Shell to build the world's largest PEM electrolyser at the Rhineland refinery, Germany

Since year end

- Strategic Partnership Agreement with Sumitomo Corporation for product sales in Japan and other territories

KEY FINANCIAL RESULTS FOR THE YEAR ENDED 30 APRIL 2018

- Total Revenue and Grant Funding of £14.1m (2017: £9.2m) up 53%, comprising:
  - Product revenue – £3.3m (2017: £2.4m) up 36%
  - Grant income recognised on the income statement – £4.1m (2017: £4.2m) down 0.5%
  - Grant income recognised on the balance sheet – £6.7m (2017: £2.7m), up 152%
- Loss from operations £6.5m (2017: £3.6m), up 83%, including £0.9m of one-off items
- EBITDA loss of £4.8m (2017: £2.3m), up 109%
- Available cash balance of £20.4m at year-end (2017: £1.6m) post the December 2017 fund raise
- Net current assets excluding stock of £30.1m (2017: £7.4m)

CORPORATE DEVELOPMENT POST YEAR END

- New factory premises identified and heads of terms agreed, detailed space planning underway. Terms are expected to be signed in Q4 of this calendar year
- Significant investment in expansion of the manufacturing and after sales support teams
- Creation of Australian subsidiary, ITM Power Pty Ltd, and appointment of Dr Neil Thompson as MD
- Appointment of Andy Allen as Financial Director
- Working Capital Funding Round sucessfully raising £29.4m gross via a placing and open offer
- Non-contracted tender opportunity pipeline increased to £250m (September 2017: £200m), illustrating the growth in the hydrogen economy

BOARD OF DIRECTORS

Dr Graham Cooley
Chief Executive Officer
(Age 54)

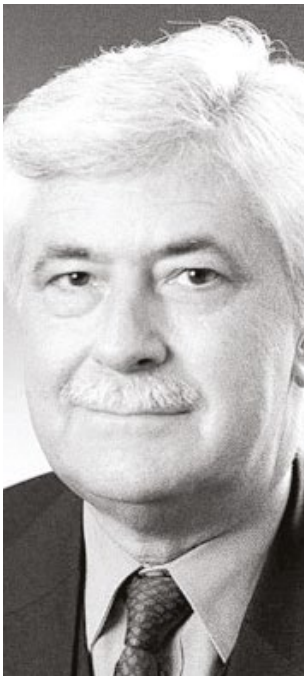
Dr Graham Cooley joined ITM Power Plc on 29 June 2009 as Chief Executive Officer. Before joining, Graham was CEO of Sensortec and Universal Sensors, founding CEO of Metalysis Ltd, a spin out of Cambridge University, and founding CEO of Antenova Ltd. Graham spent 11 years in the power industry developing conducting polymers, fuel cells, batteries and energy storage technologies. He was Business Development Manager for National Power plc and International Power plc and developed the Regenesys energy storage technology which was acquired by RWE from Innogy. He has a Degree in Physics, PhD in Materials Technology and an MBA.

Dr Simon Bourne
Chief Technology Officer
(Age 43)

Dr Simon Bourne joined ITM Power Plc at its incorporation in 2002 as a Technical Manager and has been one of the leading scientists involved in the development of ITM's product platform. Before joining ITM, Simon was a project engineer with Sonatest plc and a researcher with the Ministry of Defence. Simon has a BSc Hons in Materials Science from UMIST and a PhD from Cranfield University.

Dr R Smith
Executive Director
(Age 43)

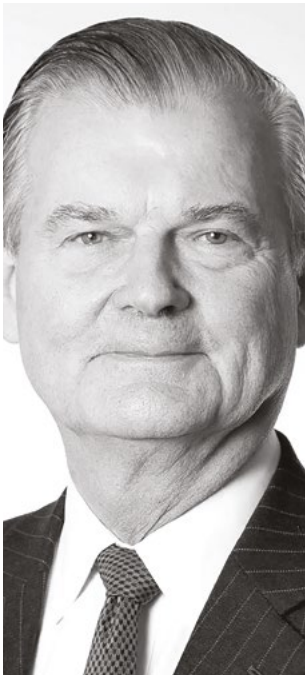
Dr Rachel Smith joined ITM Power Plc at its incorporation in 2002 as a Scientific Manager and has been one of the leading scientists involved in the development of the Group's core IP. Rachel has developed and led various externally funded projects from the EU and UK and now acts as the funding co-ordinator for the Group's activities. Rachel also manages the Group's patent and trademark portfolio.



Prof Roger Putnam
Non-Executive Chairman
(Age 72)

Roger Putnam, the former Chairman of Ford of Britain and President of the Society of Motor Manufacturers and Traders was a member of the Government's Energy Review Partnership. The Partnership reported to the Chancellor on the country's future energy strategy. He was also Chairman of the DTI's Retail Motor Strategy Group and a member of the Department for Business, Enterprise and Regulatory Reform (DBERR)'s Automotive Innovation and Strategy Team. Roger's distinguished career in the automotive industry began at Lotus Plc. In 1982 he joined Jaguar Cars Ltd as Director, Global Marketing and UK Sales Operations. In 1985 Roger was appointed to the board of Jaguar as Director, Sales and Marketing, a role he retained until he was appointed Chairman of Ford of Britain in 2002.

BOARD OF DIRECTORS
CONTINUED



Lord Roger Freeman
Non-Executive Director
(Age 76)

Lord Roger Freeman joined ITM Power Plc in October 2010 as a non-executive director. Lord Freeman is a member of the House of Lords and is currently a member of the Advisory Boards of Thales SA and PricewaterhouseCoopers (UK). During a distinguished political career, Lord Freeman was the Conservative MP for Kettering from 1983 to 1997 and served as the Parliamentary Secretary for the Departments of Health and Armed Forces and as Minister of State for Public Transport and Defence Procurement. He concluded his political career as a Cabinet Minister in the government of John Major. He became a Life Peer in 1997. Lord Freeman is a graduate of Balliol College and a Chartered Accountant. He was a Partner and Managing Director with Lehman Brothers in New York and London (1972 to 1985), specialising in cross border mergers and acquisitions. Other directorships include: Chemring Group plc, Big DNA Ltd and Parity Group plc.

Robert Pendlebury
Non-Executive Director
(Age 76)

Mr Bob Pendlebury has worked in senior management positions in both Ford Motor Company and JCB. Joining JCB in 1991, he became their Engineering and Research Director. He remains a consultant to JCB, Associate Engineering Director to the JCB Academy and a Visiting Professor to Loughborough University. He is a Mechanical Engineering graduate of Leeds University, Chartered Engineer and Fellow of the Institution of Mechanical Engineers.

Sir Roger Bone
Non-Executive Director
(Age 74)

Sir Roger was President of Boeing UK from 2005 to 2014. He is the senior independent director of Foreign and Colonial Investment Trust plc, and Chairman of Over-C Ltd, a small high tech company in the telecoms sector. He is a non-executive director and trustee of the National Centre for Universities and Business (NCUB), and was one of the Prime Minister's honorary Ambassadors for British business from 2009 to 2015. He was British Ambassador to Brazil from 1999 to 2004 and to Sweden from 1995 to 1999, and prior to that an Assistant Under-Secretary of State in the Foreign and Commonwealth Office. He is a Trustee of the Royal United Services Institute, and is an honorary fellow of the Institution of Engineering Designers. He was educated at Oxford University and holds an honorary doctorate in engineering from Sheffield University.

Andy Allen
Chief Financial Officer and Company Secretary
(Age 36)

Mr Andy Allen joined ITM Power Plc in 2011 as Financial Controller and later served as Chief Financial Officer and Company Secretary.

ITM POWER

Energy Storage | Clean Fuel

Sumitomo

Mr. Tsuyoshi Oikawa, Mr. Shuichi Suzuki, Mr. Kenji Okayasu

ITM Power

Prof Roger Putnam, Roger Bone, Dr Graham Cooley, Dr Simon Bourne

STRATEGIC REPORT

I was delighted to report earlier in the year that ITM Power Plc had raised £29.4m of working capital. Our plans for expansion of staff and production capacity are on track and I am delighted to note the significant increase in our top line result. As always, I would like to thank the staff for another year of hard work and enthusiastic dedication to our business ambition to help decarbonise the world's energy markets.

Prof. Roger Putnam
ITM Power Plc, Chairman

STATEMENT OF SCOPE

The purpose of the Strategic report is to inform the members as to how the Directors have performed in their duty to promote the success of the Group.

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.

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, clean fuel production and renewable chemistry.

The Group has a suite of product platforms based on Proton Exchange Membrane (PEM) technology. The Group has a product offering that is scalable above 100MW in size. Of particular importance is the ability to respond rapidly and to generate hydrogen at a pressure, flow rate and purity appropriate to its application.

The overarching principle is the capacity to take excess energy from the power network, convert it into hydrogen and use it in one of three broad applications.

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. 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 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 the 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.

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. 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 vehicle in minutes. A growth market is in bus refuelling. Inner city air quality is a major new driving force for Fuel Cell Electric Bus (FCEB) deployment, as air pollution is a major contributor to poor health in the UK.

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.

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

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. 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.

Revenue streams for the Group

As well as having potential revenue streams from three large application markets, opportunities exist globally for ITM Power Plc. The Group has a model of locating agents in key territories to position ITM Power Plc as a world leading developer and supplier of electrolyser products. There are a variety of ways in which the company can generate revenue:

- **Sales of systems**
  ITM Power Plc positions itself as the provider of hydrogen systems solutions and can sell electrolysers and full systems to customers globally. The Group offers both standard systems and modules as well as bespoke offerings based around standard core stack modules in order to meet customer specifications.

- **Design and consultancy revenue**
  Many system contracts that are bespoke are preceded by a design study or a Front End Engineering Design (FEED) contract that defines solutions to customer-specific specifications.

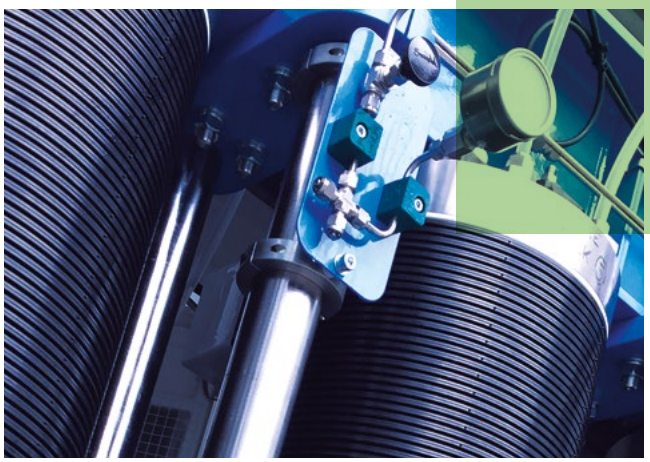
- **Maintenance revenue**
  ITM Power Plc offers warranties on systems, which are valid alongside ITM Power Plc maintenance contracts and thus the Group expects to manage a growing income stream as system deployments continue.

– **Fuel sales revenue (own and operate model)**
The Group has been the beneficiary of funding from EU bodies, which has helped accelerate research activity as well as infrastructure development.

– **Grant funding for innovation and scale up**
The Group utilises funding from grant bodies to contribute towards the technical advancement of the electrolyser product through offering greater efficiencies which manifest as cost reduction of the ITM Power Plc systems.

Events after the balance sheet date

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



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 worldwide, and exacerbated by the growth of planted renewables in the energy mix and the need to decarbonise industrial processes.

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's Plc's rapid response Proton Exchange Membrane (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.

ITM Power Plc enjoys a unique position having supplied the world's first PEM Power-to-Gas electrolyser in 2014, with the project concluding in the year in review, having injected hydrogen into the German gas distribution network for over three years. 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 later in the calendar year 2018.

Clean fuel

ITM Power Plc has won contracts to supply on-site hydrogen generation equipment for refuelling in the UK, the US, and to France, and is currently rolling out a network of 13 hydrogen refuelling stations in the UK of which five are now open for public access. In the year, the Group dispensed 16 tonnes of hydrogen from its refuelling stations.

Having won its first bus refuelling station in the year ended April 2017, ITM Power Plc will deploy this station in Birmingham in the year ending April 2019, and will start to receive a fuel revenue in that period. This will prove that ITM Power Plc's systems are now at a scale where a fleet of buses can 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.

Renewable chemistry

In the year, ITM Power Plc won a 10MW renewable chemistry contract with Shell, which was in the design phases in the financial year in review. This plant will serve as a 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 designs up to 50MW in size, at Las Vegas in September 2017, attracting significant interest from potential customers worldwide.

KEY FINANCIALS

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

	2018
Total projects income, being sales and grants receivable *(as split below)*	£14.1m
Of which: Sales revenue	£3.28m
Of which: Grant recognised in the income statement	£4.14m
Of which: Grant recognised on the balance sheet *(grant income against assets plus grant income against pro-forma less grant income against pro-forma recognised in prior year)*	£6.68m
Pre-tax loss	£6.48m
Projects under contract or in final stage of negotiation*	£30.6m
Non-current assets	£4.81m
Net assets	£35.59m

2017	2016	2015	2014	2013
£9.23m	£8.19m	£5.06m	£3.08m	£1.44m
£2.42m	£1.93m	£1.64m	£1.13m	£0.09m
£4.16m	£3.19m	£1.777m	£1.370m	£1.35m
£2.65m	£3.07m	£1.65m	£0.58m	£nil
£3.55m	£4.36m	£5.71m	£7.95m	£6.17m
£35.46m	£16.32m	£10.46m	£9.25m	Not measured
£4.90m	£3.28m	£2.55m	£1.76m	£1.46m
£13.07m	£11.64m	£10.34m	£11.00m	£7.38m

*Contracts can take a period longer than 12 months to unwind through the accounts. In the year ended 30 April 2018, income recognised was £14.1m against a pipeline reported at the results announcement of £35.5m (2017: £16.3m). Therefore, of the contracted pipeline, the Group delivered on projects equivalent to 40% (2017: 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 absolutely certain that a contract will get signed, and represents future revenue. 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

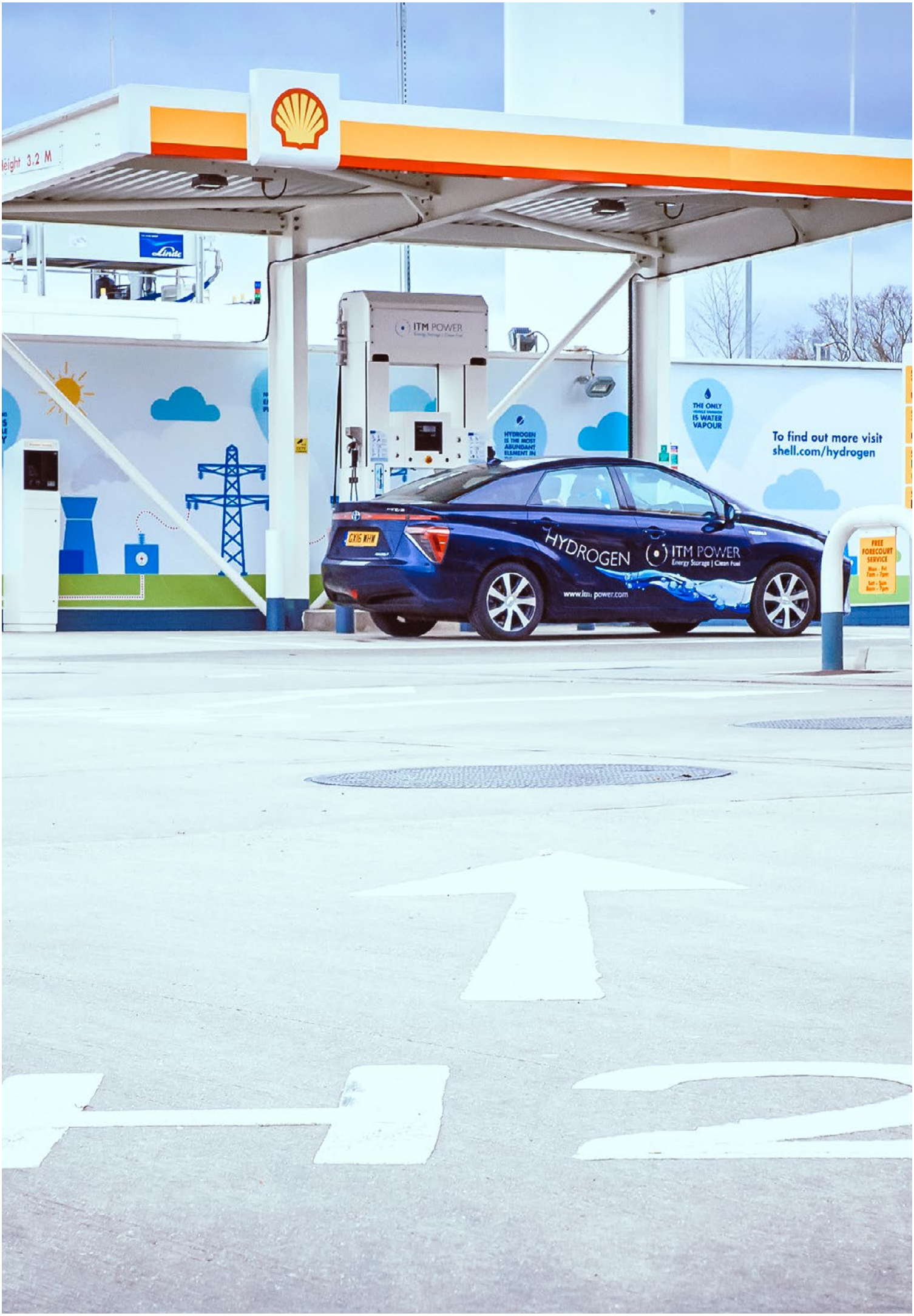
ITM Power Plc continues to be first and foremost a manufacturer, with the majority of revenue coming from construction contracts to build full hydrogen systems. Revenues in the year were mainly generated across five build projects to provide electrolysers in each of our three target markets.

Meanwhile, consultancy income reduced. This is likely to be cyclical as consultancy services are often procured with a view to sourcing units in competitive tenders. A new revenue stream has been recognised in the accounts this year for fuel sales, as our refuelling stations begin to attract greater volumes of customers and sales.

Total collaborative project funding recognised in the year was £10.82m of which £4.14m is recognised on the income statement (2017: £6.81m, of which £4.16m 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, with data and knowhow to be incorporated into new generations of electrolysers.

The pre-tax loss for the year under review increased to £6.48m (2017: £3.55m). The increase in loss in the year being reported can be attributed to three major factors; firstly, the impact of producing first of a kind plant and the non-recurring engineering costs associated with these builds; secondly, inefficiencies associated with testing large plant at ITM Power Plc's existing facilities; and finally increased costs of recruitment in the year as the Group seeks to prepare for delivery of ITM Power Plc's future order book, both contracted and speculative. In each of these cases, these costs represent on-off expenses that will not be expected to be replicated once in the new factory that has been identified is completed.

Net cash burn before fund raise increased to £9.50m (2017: £5.85m). 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 cash burn increase is a result of delayed grant receipts on high outlay projects. The timing of grant receipts is 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.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FREE FORECOURT SERVICE

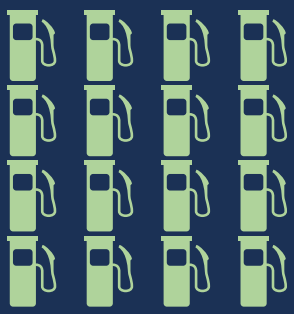
FINAL RESULTS

FINANCIAL

TOTAL REVENUE OF
£14.1m
UP
53%

DEAL PIPELINE OF
£30.6m
DOWN
11%

OPERATIONAL



FUEL SALES OF
16 TONNES
(2017: 2 TONNES)
UP 672%

HYDROGEN FUEL CONTRACTS

ORDERS IN THE FINANCIAL YEAR

£23.0m

UP **5%**

CUMULATIVE CONTRACTED MW

24.2MW

UP **74%**

A TOTAL OF

£30m

NET CURRENT ASSETS

BEING £20M CASH
£2M CASH ON GUARANTEE,
NET £8M OWED TO ITM POWER PLC

CREATION OF AUSTRALIAN SUBSIDIARY

ITM POWER PTY LTD

NON-CONTRACTED TENDER OPPORTUNITY PIPELINE INCREASED TO

£250m

(SEPTEMBER 2017: £200m)

AGREEMENT WITH

Sumitomo

TO ENTER THE **JAPANESE MARKET**

FINANCIAL POSITION

In the year, the Group capitalised development costs of £0.07m (2017: £0.15m). This is for product developments that will continue to keep the Group at the forefront of PEM electrolysis but also towards the design of standard products that will facilitate our offering to the markets. The Directors see continued product development as key to building commercial traction.

ITM Power Plc has seen a slight reduction in fixed assets to £4.454m from 4.519m in the prior year. The impact of depreciation just exceeding the effect of contining to build and then open refuelling stations under the H2ME and H2ME2 projects that will supply a growing hydrogen fuel sales market in the UK. The total value of refuelling assets was £2.5m (2017:£2.3m). In previous years, there had been an impairment against one refuelling asset that was a result of future discounted net cash flows being lower than the holding value.

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

The previous impairment was reversed in the year as new income streams became available for that specific system.

At year end, ITM Power Plc had current assets totalling £39.558m (2017: £14.846m). Funds in the bank amounted to £21.975m (2017: £3.004m), of which amounts on guarantee totalled £1.57m (2017: £1.45m). Presently, the Group is required to place amounts on guarantee as cash cover, which limits working capital available to the company mid-contract. ITM Power Plc continues to structure quotes to include upfront payment with orders so that working capital is not impacted adversely by increased activity.

Trade and other receivables excluding restricted cash amounts have increased from £11.08m to £16.9m at the year ends in 2017 and 2018 respectively. This movement is dominated by delayed trade debtors and stage payments made to suppliers for stock items required in the next wave of units through production and equipment for refuelling stations. The trade debtors at the end of the year under review predominantly relate to grant income debtors (while 2017 was predominantly trade debtors). Prepayments and accrued income was £11.15m in 2018, up £2.38m in the year (2017: £8.77m).

Creditors have increased from £6.67m to £7.93m at the year ends in 2017 and 2018 respectively. This movement is a result of an increase in accruals and deferred income from £5.6m to £6.4m, which reflect both money received up front for construction contracts and also accruals for goods received that have not yet been invoiced. At year end, the Group had trade creditors of £1.4m against a prior year balance of £0.92m. This number has predominantly increased due to the size and stage of progress on contracts in the pipeline.

OUTLOOK

Today, ITM Power Plc is a globally recognised expert in hydrogen technologies with applications in clean fuel for transport, energy storage and renewable chemistry. We continue to 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 also believe that ITM Power Plc remains uniquely placed to capture segments of each market.

With markets growing rapidly, and air quality in particular being a major issue throughout 2017, ITM Power Plc looks forward to developing further contracts in the pipeline. The trend noticed regarding enquiries is that of demand for greater capacity systems, often including ancillary hydrogen energy systems and after sales support contracts. The growing fuel and after sales support contracts shall represent recurring revenue for ITM Power Plc now and increasingly in the future.

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

STRATEGIES AND OBJECTIVES

ITM Power Plc has the following near and mid-term objectives;

- **New territories:** Gaining a foothold in new markets through deployment of sales personnel and kit. Most recently, ITM Power Plc have expanded to include a subsidiary company in Australia.
- **Product scale up:** The market for larger electrolysers is gathering pace and recognised through enquiries both in the business development function and at the Hannover fair that ITM Power Plc exhibits at annually. As such, building a modular system allows ITM Power Plc to access and scale the tenders appropriately as they are received.
- **Cash flow:** The Board are committed to growing cash flow in the mid-term. In the short-term there will be a move to the new factory and as such cashflow will be a KPI throughout the build phase and into the new factory.
- **Break-even:** The Board have break-even as a key objective for the Group.
- **Growing pipeline and delivery of contracted orders annually:** The Group need to grow the contracted pipeline in the near-term as it signals the revenue that the Group will deliver in the forthcoming periods. As such, pipeline remains a key objective for the Board. The key objective then becomes project delivery.

ITM Power Plc is now firmly focussed on large scale solutions. The current strategy is to use the existing designs to form a suite of standard products that can meet many needs of customers, as well as offering larger scale bespoke solutions for kit above 2MW and into multi-MW solutions.

Using the same initial platform, the Group will also be able to show demonstrable success in existing products to market to further potential customers.

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.

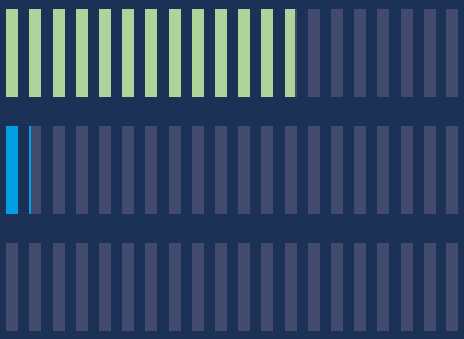
ITM Power Plc is currently positioned as a refueller of hydrogen, and will also be able to gain market share for hydrogen sales as vehicle adoption accelerates. The results in the current year show a 672% increase in hydrogen sales, to 16 tonnes in the year.

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.

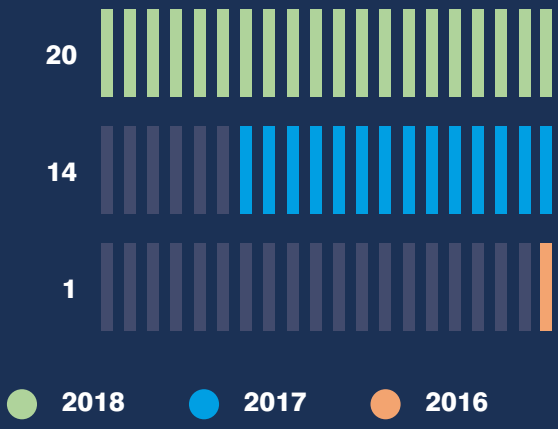
Short-term cash flow is aided but not totally mitigated by ITM Power Plc quoting for sales with upfront payments, which reduces reliance on working capital.

NON-FINANCIAL KEY PERFORMANCE INDICATORS

FUEL DISPENSED (KG)

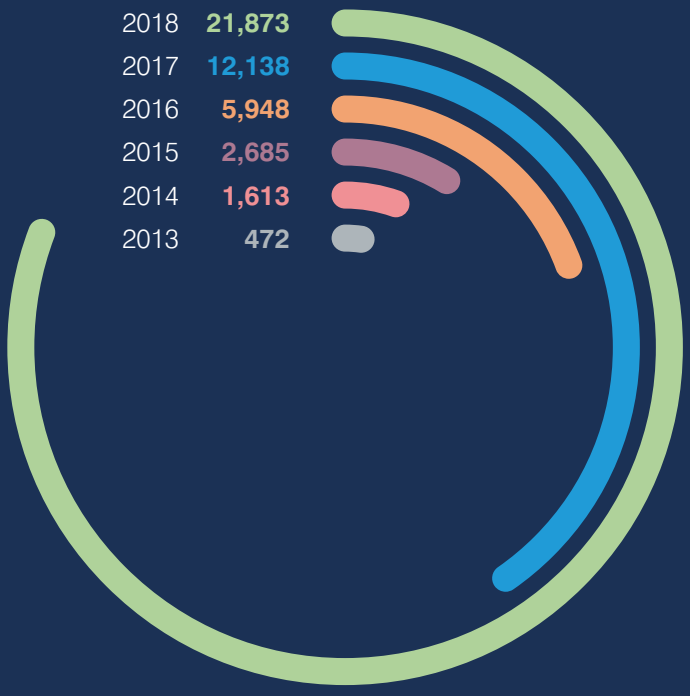


FUEL CONTRACTS SIGNED



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.

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, with receipts often large and intermittent, both for sales contracts but particularly for grants.
Assessment of change in risk year-on-year	Due to the funding round achieved in September 2017, the Board consider this risk reduced. However, there remains a working capital requirement with every sale which will need to be handles appropriately as pipeline grows.
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. Historically, ITM Power Plc has 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 Board consider this risk diminished year-on-year, as the need for grid balancing and to decarbonise the gas grid increase, and hydrogen presents the only viable large scale solution. For refuelling applications, the Board considers this risk the same as the prior year; whilst alternative technologies exist, ITM Power Plc believe that hydrogen shall be part of the mix for cars, and will be prioritised for larger vehicles.
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 welcomes the development of battery vehicles, whilst recognising the advantages of refuel time and range of the Hydrogen vehicles.

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, despite the Group considering more sophisticated mitigation strategies.
Mitigation	Where possible, ITM Power Plc operates 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	ITM Power Plc has 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 Plc.
Assessment of change in risk year-on-year	This risk increased significantly upon the announcement of the referendum result on 24th June 2016, and has remained a moderate-to-high risk.
Mitigation	The Group has a number of options. 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 in the UK for accessing the same EU funding pot (Horizon 2020), but also to broaden the scope of projects to ensure this potential risk is resolved. The Group is transitioning towards a more even mix of income, with sales revenue increasing. Therefore reliance on grant funding reduces year on year.

Description	Brexit may pose a risk to the Group as ITM Power Plc is an exporter, and there is currently limited visibility of the likely trade deal that will emerge from Brexit negotiations.
Impact	This could have significant impact on the profitability of contracts previously signed, and spanning the period March 2019, as well as leave uncertainty over prospective contracts.
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 are in the process of considering a number of mitigating items for Brexit, not least taking advice on the likely impact of the ‘greatest change’ scenario. This shall inform as to how future sales are structured.

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.

CORPORATE SOCIAL RESPONSIBILITY

ITM Power Plc's products are being continually developed to meet and maintain our own and our customers high standards; in providing the global marketplace with a sustainable alternative energy solution, creating a reduction in the global carbon footprint and a reduction in global greenhouse gas emissions.

We operate management systems in accordance with ISO 14001 2015 and OHSAS 18001 2007. Our aim in the coming year, is to incorporate all of our management systems under one integrated management system and to continue with our UKAS accreditation program.

Our commitment to source our products and services locally where possible, has seen ITM Power Plc develop a supplier control program that assists and develops our supply chain with Health, Safety and Environmental goals and objectives.

Our global commitment to promote and develop ITM Power Plc's Health, Safety and Environmental ethics within the global supply chain.

We have recently engaged a program for full recycling of all waste materials where possible, controlled with AATF's and environmentally aware recycling partners, we will define a charity partner from our local area or a global environmental awareness charity each year to receive a monitory percentage of our recycled items value.

GOING CONCERN

The Directors have prepared a cash flow forecast (the "Forecast") for the period ending 31 August 2019 ("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. The accounts have therefore been prepared on a going concern basis.

Approved by the Board and signed on its behalf by:

Dr. Simon Bourne
ITM Power Plc, Director
Date: 10 August 2018

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 2018.

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

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

Research and development

During the year the Group incurred research and development related costs of £1.79m (2017: £2.023m).

Charitable and political contributions

During the year, the Group made no charitable or political donations (2017: £nil).

Dividends

The Directors do not recommend a dividend payment for the year (2017: £nil).

Capital structure

Details of the Group's capital structure are provided in notes 20 and 25 to the financial statements.

Directors

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

Sir R Bone
P Hargreaves (resigned 31 October 2017)
Dr S Bourne
Prof R Putnam
Dr G Cooley
R Pendlebury
Lord R Freeman
Mr A Allen (appointed 21 May 2018)
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 2018 and as at 20 August 2018	Ordinary shares of 5p each At 30 April 2017
	No.	No.
Sir R Bone	133,710	67,000
Dr S Bourne	326,830	326,830
Dr G Cooley	1,062,726	987,726
Lord R Freeman	5,000	5,000
P Hargreaves	28,621,793	22,908,643
R Pendlebury	37,269	12,269
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 each transaction, ensuring that suppliers are made aware of the terms of payment and abide by the terms of payment. At 30 April 2018, the trade creditors balance equated to 59 days (2017: 57 days), based on daily total costs excluding payroll.

Future developments and post balance sheet events

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

Substantial shareholdings

On 30 April 2018 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	12.6%	40,970,365
Allianz Global Investors	11.2%	35,027,162
P Hargreaves	8.8%	28,621,793*
Schroder Investment Management	5.5%	17,825,000
Quilter Cheviot	5.5%	17,750,088
Herald Investment Management	3.6%	11,647,336

* 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 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.

Branches outside the UK

The Group has subsidiary companies, comprising marketing offices, in Germany and the United States. A further subsidiary in Australia has been set up around the year-end.

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.

Grant Thornton UK LLP have expressed their willingness to continue in office as auditor.

DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are responsible for preparing the Strategic Report and Directors' 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 have to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and have elected to prepare parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws), including FRS 101 'Reduced Disclosure Framework'. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the Company and Group for that period. In preparing these financial statements, the Directors are required to:

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

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.

Approved by the Board and signed on its behalf by:

Dr. Simon Bourne
ITM Power Plc, Director

Date: 10 August 2018

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				•	•
Lord R Freeman	Non-executive Director	•	•			
Prof R Putnam	Non-executive Chairman	•	•	•	•	
Sir R Bone	Non-executive Director	•	•			
Mr R Pendlebury	Non-executive Director					•
Mr A Allen	Executive Director		•		•	•

N.B. Mr P Hargreaves previously sat on the Remuneration and Nominations committees.

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.

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, Dr Simon Bourne (CTO) and Mr Andy Allen (FD). 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, Andy Allen and Rachel Smith 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.

Board meetings

The Board scheduled three regular meetings in the year ended 30 April 2018 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
No. of meetings held	**5**	**1**	**2**
Non-Executive Directors			
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	–	–
Executive Directors			
Dr S Bourne	5	–	–
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 recognised that Peter Hargreaves' shareholding was a factor which, under the UK Corporate Governance Code, may have appeared to impair his independence. Peter Hargreaves was viewed as independent as he was not personally dependent on the success of ITM Power Plc for income. The Board considers all the Non-Executive Directors to be independent in character and judgement. The Non-Executive Directors have provided excellent independent advice and challenge throughout the year. In concluding that all its Non-Executive Directors are independent, the Company considered, inter-alia, the fact that all of the Non-Executive Directors are Directors of other corporations and are not reliant on any shares or share options they hold in, or income they receive from, ITM Power Plc.

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. Given its size, it would not be practical for the Group to maintain a dedicated Internal Audit function. However, the Group has always maintained an open culture that encourages staff to consider the processes in which they are involved and report any control weaknesses directly to senior management. Segregation of duties is maintained wherever possible, with reviews performed to identify any issues and mitigate risk. As the Group grows, it is recognised that more regular review will be necessary, with line managers and middle managers becoming established to take on some of this responsibility. The Group also has in place the appropriate culture to deal with the identification, assessment and management of major business risks through regular communications with 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 website.

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.

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

Opinion

Our opinion on the financial statements is unmodified

We have audited the financial statements of ITM Power Plc (the 'parent company') and its subsidiaries (the 'Group') for the year ended 30 April 2018, which comprise the consolidated income statement and other comprehensive income, the consolidated and company statements of changes in equity, the consolidated and company balance sheets, the consolidated cash flow statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International 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, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

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 2018 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Who we are reporting to

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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Overview of our audit approach

- Overall materiality: £215,000, which represents approximately 3% of the Group's revenue and other operating income – grant income
- The key audit matter was identified as improper revenue recognition of revenue from contracts and grant income
- We performed full-scope audit procedures on the financial statements of ITM Power Plc and on the financial information of all non-dormant subsidiaries. We performed analytical procedures over the non-significant components in Germany and the United States.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter – Group	How the matter was addressed in the audit – Group
Improper revenue recognition of revenue from contracts and grant income. There is a risk that revenue from contracts and grant income may be misstated due to improper recognition. In respect of contractual arrangements with customers, there is a risk that revenue is misstated as each contract's outcome and stage of completion requires management judgement. In respect of grant income, there is a risk that grant income is not recognised in accordance with the terms of the grant and the accounting policy of the group. There is a further risk that accrued and deferred income may be incorrectly calculated due to the complexity of the underlying calculations and there is a recoverability risk in respect of accrued income due to the significant values involved. We therefore identified improper revenue recognition of revenue from contracts and grant income recognition as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: – Assessing whether the Group's accounting policies for revenue from contracts and grant income are in accordance with International Accounting Standard (IAS) 11 'Construction Contracts' and IAS 20 'Accounting for Government Grants and Disclosure of Government Assistance'; – Testing whether revenue (predominantly from constructions contracts) and grant income had been accounted for in accordance with this policy; – Testing a sample of contracts and grants to original signed contractual agreements/terms; – For a sample of construction contracts, recalculating the percentage completion based on the costs incurred to date against forecasted costs and assessing the robustness of the forecasting with project managers; – Testing whether costs associated with revenue from contracts recorded to date were accurate and appropriately allocated to the correct contract; – Recalculating accrued and deferred income in respect of revenue from contracts, based on revenue recognised to date and progress billings; – For a sample grant income, agreeing the funding level to grant agreements and recalculating the amounts recognised, deferred, or accrued based on actual costs incurred to date and, where appropriate, claims submitted; – Testing whether costs associated with grant income recorded to date are accurate and appropriately allocated to the correct grant project; and – In respect of the recoverability of accrued income, documenting our understanding of the claim submission process. Cash receipts in respect of a sample of prior year claims were corroborated to bank statements to ensure the Group was receiving funds following a submission. The Group's accounting policies on revenue from contracts and grant income are shown in note 3 to the financial statements. **Key observations** Based on our audit work, we have found that revenue from contracts and government grants are being accounted for in accordance with the group's accounting policies, IAS 11 and IAS 20.

We did not identify any key audit matters relating to the audit of the financial statements of the parent company.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our audit work and in evaluating the results of that work.

Materiality measure	Group	Parent
Financial statements as a whole	£215,000, which is approximately 3% of the Group's revenue and other operating income – grant income. This benchmark is considered the most appropriate because revenue and other operating income – grant income is a key performance indicator for the group.	£210,000, which is 2% of the parent company's net assets. This benchmark is considered the most appropriate given that the activities of the parent company are those of a holding company, which has no trading activities, and therefore the assets of the Company reflect the most appropriate measure.
Performance materiality used to drive the extent of our testing	60% of financial statement materiality.	60% of financial statement materiality.
Specific materiality	We also determine a lower level of specific materiality for certain areas such as Directors' remuneration and all other related party transactions.	We also determine a lower level of specific materiality for certain areas such as Directors' remuneration and all other related party transactions.
Communication of misstatements to the audit committee	£10,750 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£10,500 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

An overview of the scope of our audit

Our audit approach was a risk-based approach founded on a thorough understanding of the Group's business, its environment and risk profile and in particular included:

- evaluation by the Group audit team of identified components to assess the significance of that component and to determine the planned audit response based on a measure of materiality, considering each as a percentage of the Group's total assets, revenue and loss before tax, to assess the significance of the component and determine the planned audit response;
- performing a full-scope audit of the group financial statements, and of the UK subsidiaries. The components that were subject to full-scope audit procedures made up 86 per cent of the group's revenue and 90% of the Group's loss before tax; and
- Analytical procedures were performed on the non-significant Group components, Germany and the United States, with a focus on the key audit matters as identified above and the significance to the Group's balances.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

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

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

Matters on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the Group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of Directors for the financial statements

As explained more fully in the Directors' responsibilities statement set out on page 21, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Michael Redfern
Senior Statutory Auditor

For and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants,
Sheffield

Date: 10 August 2018

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CONSOLIDATED FINANCIAL STATEMENTS

Year Ended 30 April 2018

CONSOLIDATED INCOME STATEMENT
YEAR ENDED 30 APRIL 2018

	Note	2018	2017
		£'000s	£'000s
Revenue	**5**	**3,283**	**2,415**
Cost of Sales		(3,438)	(1,757)
Gross (loss)/profit		**(155)**	**658**
Operating costs			
Distribution expenses			
– Research and development		(1,792)	(2,023)
– Prototype production and engineering		(4,144)	(2,615)
– Sales and marketing		(1,455)	(1,528)
		(7,391)	**(6,166)**
Administration expenses		(3,086)	(2,202)
Other operating income			
Grant income	5	4,138	4,160
Loss from operations before tax	**6**	**(6,494)**	**(3,550)**
Investment income		18	–
Loss before tax		**(6,476)**	**(3,550)**
Tax	9	360	(230)
Loss for the year		**(6,116)**	**(3,780)**
Other total comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation differences on foreign operations		267	(250)
Net other total comprehensive income		**267**	**(250)**
Total comprehensive loss for the year		**(5,849)**	**(4,030)**
Loss per share			
Basic and diluted	10	(2.1p)	(1.7p)

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 2018

	Notes	Called-up share capital	Share premium account	Merger reserve	Foreign Exchange reserve	Retained loss	Total equity
		£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
At 30 April 2016		10,845	58,151	(1,973)	54	(55,442)	11,635
Transactions with owners							
Issue of shares	20	1,686	3,779	–	–	–	5,465
Total transactions with owners		**1,686**	**3,779**	**–**	**–**	**–**	**5,465**
Loss for the year		–	–	–	–	(3,780)	(3,780)
Other comprehensive income	20	–	–	–	(250)	–	(250)
Total comprehensive income		**–**	**–**	**–**	**(250)**	**(3,780)**	**(4,030)**
At 30 April 2017	**20**	**12,531**	**61,930**	**(1,973)**	**(196)**	**(59,222)**	**13,070**
Transactions with owners							
Issue of shares	20	3,669	24,701	–	–	–	28,370
Total transactions with owners		**3,669**	**24,701**	**–**	**–**	**–**	**28,370**
Loss for the year		–	–	–	–	(6,116)	(6,116)
Other comprehensive income	20	–	–	–	267	–	267
Total comprehensive income		**–**	**–**	**–**	**267**	**(6,116)**	**(5,849)**
At 30 April 2018	**20**	**16,200**	**86,631**	**(1,973)**	**71**	**(65,338)**	**35,591**

CONSOLIDATED BALANCE SHEET
YEAR ENDED 30 APRIL 2018

	Note	2018	Restated 2017
		£'000s	£'000s
Non-current assets			
Intangible assets	12	355	380
Property, plant and equipment	11	4,454	4,519
Total Non-current assets		**4,809**	**4,899**
Current assets			
Inventories	14	655	760
Trade and other receivables	16	18,500	12,528
Cash and cash equivalents	17	20,403	1,558
Total current assets		**39,558**	**14,846**
Current liabilities			
Trade and other payables	18	(7,928)	(6,666)
Provisions	19	(848)	(9)
Total current liabilities		**(8,776)**	**(6,675)**
Net current assets		**30,782**	**8,171**
Net assets		**35,591**	**13,070**
Equity			
Called-up share capital	20	16,200	12,531
Share premium account	20	86,631	61,930
Merger reserve	20	(1,973)	(1,973)
Foreign exchange reserve	20	71	(196)
Retained loss	20	(65,338)	(59,222)
Total equity		**35,591**	**13,070**

In the prior year, amounts relating to cash held on guarantee for construction contracts were included as cash equivalents amounting to £1,446,000. These have been reclassified to other receivables as they are not considered to be highly liquid and therefore do not meet the definition of a cash or cash equivalent.

The financial statements of ITM Power Plc, registered number 05059407, were approved by the Board of Directors and authorised for issue on 10 August 2018.

Signed on behalf of the Board of Directors

Dr Simon Bourne
ITM Power Plc, Director

CONSOLIDATED CASH FLOW STATEMENT
YEAR ENDED 30 APRIL 2018

	Note	2018	Restated 2017
		£'000s	£'000s
Net cash used in operating activities	21	**(8,005)**	**(5,048)**
Investing activities			
Purchases of property, plant and equipment		(8,622)	(3,293)
Capital Grants received against purchases of property plant and equipment		7,130	2,646
Proceeds on disposal of property, plant and equipment		1	4
Payments for intangible assets		(76)	(151)
Net cash used in investing activities		**(1,567)**	**(794)**
Financing activities			
Issue of ordinary share capital		29,358	5,732
Costs associated with fund raise		(988)	(267)
Interest received		18	–
Net cash from financing activities		**28,388**	**5,465**
Decrease/Increase in cash and cash equivalents		**18,816**	**(377)**
Cash and cash equivalents at the beginning of year		**1,558**	**1,890**
Effect of foreign exchange rate changes		29	45
Cash and cash equivalents at the end of year		**20,403**	**1,558**

In the prior year, amounts relating to cash held on guarantee for construction contracts were included as cash equivalents amounting to £1,446,000. These have been reclassified to other receivables as they are not considered to be highly liquid and therefore do not meet the definition of a cash or cash equivalent.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

ITM Power Plc is a public 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 entity is a parent and 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 STANDARDS

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 2017. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

- **IAS 12 (amendments)** Recognition of Deferred Tax Assets for Unrealised Losses
- **IAS 7 (amendments)** Disclosure Initiative

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***
  This could impact both the measurement and disclosures of financial instruments. Specifically, the Group undertake long-term contracts which are high in value and low volume. Whilst the Group does not have a history of bad debt from customers, IFRS 9 will require greater review and disclosure.

- ***IFRS 16 Leases***
  This will impact on the reported assets, liabilities, income statement and cash flows of the Group. Furthermore, extensive disclosures will be required. Currently all our sites are leased, and the Group are in the process of procuring a new larger facility, which will also be leased.

- ***IFRS 15 Revenue from Contracts with Customers***
  A preliminary assessment of the impact of this new standard has been undertaken and is reported below.

Revenue Recognition under new financial standard IFRS 15 'Revenue from Contracts with Customers' effective from 1st May 2018

In May 2014, the International Accounting Standards Board (IASB) jointly with US Financial Accounting Standards Board (FASB) published IFRS 15 'Revenue from Contracts with Customers' to replace IAS 11 'Construction Contracts' for annual reporting periods commencing on or after January 2018. Early adoption is permitted. It is the Group's current plan to adopt the new standard on the required effective date using the modified retrospective method.

Considering the nature of ITM Power Plc's projects, in that they are complex, long-term construction contracts, application of the new standard could have a significant impact on the future reported revenue figures and their timings. The Group has performed a preliminary assessment of the impact of IFRS15, which is subject to changes due to the bespoke nature of its sales contracts. Management consider that the new standard is likely to have a material impact on the presentation of its revenues in future periods but the timing of such an impact is uncertain and can only be judged in the nearer term once contracts are known. Further detail is included below.

Impact of the new standard application

IFRS 15 provides a single, principles based 5-step model to be applied to all sales contracts. It is based on the transfer of control of goods and services to customers and replaces the separate models for goods, services and construction contracts currently included in IAS 11 Construction Contracts and IAS 18 Revenue.

ITM Power Plc has conducted an assessment of its current contracts in order to illustrate the impact of IFRS15 on the current year figures.

Key areas of judgement

The sales contracts of our build projects are split between standard products (or repeat business) and bespoke (first-time) products. Revenues on these contracts would previously all have been recognised by stage of completion. Under IFRS15, revenue recognition is permitted to be recognised by reference to stage of completion only where performance obligations are satisfied over time, i.e. if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the seller's performance as the seller performs;
- the seller's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the seller's performance does not create an asset with an alternative use to the seller and the seller has an enforceable right to payment for performance completed to date.

Under IFRS 15, revenue will be treated differently depending on whether the product is standard or bespoke;

- Revenue from standard products will be recognised only when the contractual obligation has been fulfilled and ownership of the goods has transferred i.e. at site acceptance, which is the official handover of the goods in working order to the customer. This is due to the "transferability" of such products and their components up until handover, so the asset generated has an alternative use to the Group until handover;
- Bespoke contracts by their nature do not create an asset with an alternative use to the seller, and as there is also an enforceable right to payment for performance completed to date, their revenues will be recognised over time according to their individual contractual milestones or performance obligations.

Similarly, for consulting contracts where the IFRS 15 criteria for performance over time are met (in this case that the customer simultaneously receives and consumes the benefits of the service), revenue will be recognised by reference to stage of completion of the contract. For those contracts where these criteria are not met, revenue will be recognised on completion of the contract. This will impact the financial statements where contracts cross the year-end.

Maintenance contracts usually involve two annual visits so revenues will be recognised in two instalments against the costs of those visits. As such, revenues will be affected only where maintenance years do not align with our own financial year. However, where remote monitoring forms part of the contract, revenue for this performance obligation may be recognised over time as the customer simultaneously receives and consumes the benefits of such a service.

Refuelling sales or sales of spares will be unaffected as transfer of ownership of the goods passes immediately at the point of sale.

If the current year contracts had been treated under the new rules, revenue for the year would have looked more like:

	2018 Under existing rules	2018 Under IFRS 15
	£'000s	£'000s
Revenue from construction contracts	2,903	1,925
Consulting services	141	113
Maintenance services	48	36
Fuel sales	161	161
Other	30	30
Revenue in the consolidated income statement	**3,283**	**2,265**

The potential impact has been limited in the current assessment due to the group being in a phase of developing technology and markets, where many of our contracts have been "first-of-a-kind" bespoke projects. However, as more repeat business or similar projects are undertaken, revenue recognition is likely to become further aligned with recognition upon transfer.

The Group see a particular sensitivity around the timings of a transfer of ownership to a customer, in that the amount of revenue recognised may differ significantly between two financial periods depending on how many project obligations are fulfilled before the end of each financial period. This will require extra disclosure year on year to enable appropriate comparison between financial years.

Effect of the new policy on the reported revenue figures

When projects do not satisfy the exemption criteria for revenue recognition under progress towards completion method, revenue will be reflected in the balance sheet as either accrued or deferred income depending on progress billings and advances received from customers. Costs incurred on projects to date will not be included in the statement of comprehensive income but will be accumulated on the balance sheet as work in progress and only transferred to cost of sales once the revenue applicable to those costs can be recognised in the accounts.

Unless an extended warranty is specifically purchased under the sales contract and thus, together with its maintenance obligations, creates a separate performance obligation under that contract, warranty provisions will continue to be treated under IAS 37 as they are by nature an assurance warranty.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs), as adopted by the European Union.

The financial statements have been prepared under the assumption that the Group operates on a going concern basis and 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 affect 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 intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

Going concern

The Directors have prepared a cash flow forecast (the "Forecast") for the period ending 31 August 2019 ("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.

The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

Prior Year Adjustment

In the prior year, amounts relating to cash held on guarantee for construction contracts were included as cash equivalents amounting to £1,446,000. These have been reclassified to other receivables.

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.

As a manufacturer of large units, much of the Group's revenue is derived from construction contracts (see separate note below). However, other forms of sale are discussed here:

Sale of goods

Revenue from the sale of goods (e.g. hydrogen road fuel) 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 (e.g. for maintenance or consulting contracts) is recognised by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows:

- for maintenance contracts, which include remote monitoring, revenue is recognised straight-line over the contracted time period to which it relates; and
- revenue from time and material contracts is recognised at the contracted 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.

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 (deferred income). As such, any amounts received before the related work is performed are included in the consolidated balance sheet, as a liability. 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 (accrued income), until such time that it can be billed. 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 when they are netted against the cost of the assets acquired on the balance sheet.

Where prefinance has been received at the start of the grant and continues to exceed expenditure incurred to date, the surplus is shown as deferred income and is included in the consolidated balance sheet as a liability. When expenditure incurred to date exceeds receipts from the grant body, the surplus is shown as accrued income until such time that it can be claimed. Where a claim has been submitted to the grant body but not yet paid, the amount of the claim is included in the consolidated balance sheet under trade and other receivables.

In specific instances where grant income shall subsidise a sale, Grant income can be recognised against appropriate expenditure on agreed projects and shown as receivable from the time of the expense. This means that grant income can be recognised against stage payments made on larger items. Thus, a further category of grant income receivable against pro forma payments has been established within deferred income on the balance sheet to allow for a difference in treatment in grant-subsidised sales. Once the items have been received, this grant income will come to be shown as "grant income against cost of sales" in profit and loss.

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 Group, and the presentation currency for the consolidated financial statements. The financial statements are presented in round thousands.

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 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 all recognised on an accruals basis, and are reported in the income statement above the line.

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.

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.

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:

Category	Period	Recognition in profit and loss
Laboratory and test equipment	4 years	Distribution costs
Production plant and equipment	4 years	Distribution costs
Computer equipment	3 years	Administration costs
Office furniture and fittings	4 years	Administration costs
Leasehold improvements	4 years or the remainder of the lease term, if shorter	Administration costs

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.

Intangible assets – software

Software purchased from external companies has been recognised at cost under the heading of intangible assets. Amortisation is charged so as to write off the cost of assets over an estimated useful life of three years (in-line with our policy for computer equipment), using the straight-line method. This is recognised in administrative costs.

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 can be demonstrated:

- the technical feasibility of completing the intangible asset so that it can be made available for use or sale;
- the intention to complete the intangible asset to use or sell it;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset
- an asset is created that can be separately identified for use or sale;
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably.

As these assets form the basis of the Group's product range (being the development of new processes, standard products or new product features that improve the capacity or efficiency of the electrolysers) amortisation is recognised on a straight-line basis in Distribution costs over their useful lives, considered to be four years, in line with expected product life cycles. Each asset is assessed on an annual basis to ensure that it still meets the criteria and will still contribute to the Company's products. If not, an impairment will be recognised. Where no internally generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

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 each asset (or cash-generating unit) is estimated to determine the extent of the impairment loss.

The recoverable amounts of non-current assets are derived from value-in-use calculations. 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 group of units.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised immediately in profit and loss. Where an impairment loss subsequently reverses, the carrying amount of the asset 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 in prior years. A reversal of an impairment loss is recognised immediately in profit or loss. The value of any impairment (or its reversal) is recognised within the same cost line that the depreciation or amortisation would normally appear in.

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.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

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.

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 in profit or loss 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.

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

Warranty provisions

As sales contracts have gained momentum, the Group is recognising a higher number of warranty provisions by the year end. These are based on Management's current best estimate of the potential costs involved in diagnosing and correcting faults and the likelihood of such faults occurring within the first year of operation of a unit. These assumptions are built upon historical data of units in the field so are likely to be reviewed and revised as more information becomes available with a higher quantity of machines in operation.

Dilapidations Provision

A provision has been recognised in the current year for stripping out/reinstating our current premises for handover to the landlords, given our intention to move. The amount has been calculated by a value per square metre. However, the actual work that will be required still needs to be ascertained and quotes sought.

Recoverability of debtors

ITM Power Inc has a debtor of £456k that is long overdue regarding a contract for the delivery of a refuelling unit in California. At the year end, this equipment is still in the Group's possession.

At this stage, the Directors believe all of the debtor is recoverable either through a novation of the current contract or alternatively through selling the unit into the US market.

In 2014, ITM Power Plc commissioned and paid towards the construction of refuelling equipment. At this stage, the Directors believe all of the debtor is recoverable either through taking delivery of the equipment or through repayment from the supplier.

Impairment of assets

In the case of there being a trigger for a review of impairment, the Group performs a review on the carrying amounts of its tangible and intangible assets to determine whether there is any indication of impairment at the Balance Sheet date. The Group particularly tests the net recoverable amounts of its internally-generated assets held (or previously held) in assets under construction to ensure that the costs of their production have not over-run their operational or commercial value. Typically assets are deployed in low volume 'batches' in line with grant-funded projects. As such, each batch is considered a cash generating unit (CGU).

One such trigger for impairment review, which has occurred in the year, is that the Group was loss making.

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. There are also assumptions based on the value of potential incentives that are known to the Group, but that are not yet in place. 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, as well as field data from the past six months of refuelling. This is the second year that a review of the refuelling assets of the company has been undertaken, with the financial year ended April 2017 being 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 a cost of 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 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 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 rate used to discount the forecast cash flows for refuelling stations 24.4%.

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.

As at the balance sheet date, an impairment review was undertaken and an impairment provision that had been recognised in the prior year of £100,000 was reversed as the value of future discounted cash flows now exceeded the carrying value of all assets.

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 £355k (2017: £380k). The development projects currently capitalised here and being amortised, relate to technologies being used in our current sales. Further capitalisations towards the end of the year relate to advancements in those technologies and improved efficiencies that should allow us to improve our offering and gain interest in new markets.

5. REVENUE, OTHER OPERATING INCOME AND INVESTMENT INCOME

All revenues are derived from continuing operations. An analysis of the Group's revenue is as follows:

	2018	2017
	£'000s	£'000s
Revenue from construction contracts	2,903	2,086
Consulting services	141	237
Maintenance services	48	59
Fuel sales	161	11
Other	30	22
Revenue in the consolidated income statement	**3,283**	**2,415**
Grant income (government grants)	4,138	4,161
	7,421	**6,576**

Segment information

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.

Last year, Management identified three target markets for our products (Power-to-Gas, Refuelling and Renewable Chemistry). Revenue reporting has begun to look at these three sectors to assess the commerciality of those sales. However, decisions for resourcing etc. cannot be made by reference to these segments.

The Group operates a single factory that builds units for use across all sectors. It would be hard to assign overhead costs to particular product segments when builds all occur in that one facility and can run concurrently. Similarly, fixed assets and suppliers balances cannot be assigned to the production of one specific segment. For overhead costs and net asset resources, therefore, decisions are taken on a group basis.

An analysis of the Group's revenue, by major product (or customer group), is as follows:

	2018	2017
	£'000s	£'000s
Power-to-Gas	1,639	553
Refuelling	753	428
Renewable chemistry	858	1,290
Other	33	144
Revenue in the consolidated income statement	**3,283**	**2,415**

Geographical analysis

The United Kingdom is the Group's country of domicile but the Group also has subsidiary trading companies in the United States, Germany and more recently in Australia. All non-current assets were domiciled in the United Kingdom, with the exception of one hydrogen refuelling station in California (net book value £133k, 2017:£245k). Revenues have been generated as follows:

	2018	2017
	£'000s	£'000s
United Kingdom	763	238
Germany	1,387	672
Italy	442	1,290
Rest of Europe	552	117
North America	139	98
	3,283	**2,415**

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

	2018	2017
	£'000s	£'000s
Customer A – Renewable chemistry	442	1,290
Customer B – Power-to-Gas	864	401
Customer C – Power-to-Gas	452	<10%
Customer D – Refuelling	475	<10%
Customer E – Renewable chemistry	405	<10%

6. LOSS FOR THE YEAR

	2018	2017
	£'000s	£'000s
Loss for the year has been arrived at after charging (crediting)		
Net foreign exchange losses/(gains)	198	(441)
Depreciation of property, plant and equipment	1,611	1,181
Reversal of impairment of assets under construction	(100)	–
Impairment of non-current assets	43	100
Amortisation of intangibles	101	20
Impairment of intangibles	–	3
Research and non-capitalised development costs	1,792	1,923
Loss on disposal of property, plant and equipment	2	22
Rentals under operating leases	220	223
– Land and buildings	220	223
– Other equipment	140	–
Government grants receivable	(4,138)	(4,161)
Staff costs (see note 8)	5,122	4,123
Cost of inventories recognised as an expense	209	187

7. AUDITORS REMUNERATION

The following amounts were payable to the Group's auditor and have been charged within the loss before tax:

	2018	2017
	£'000s	£'000s
Fees payable to the Company's auditor for	**Grant Thornton**	**Deloitte**
The audit of the Company's annual accounts	30	30
The audit of the Company's subsidiaries pursuant to legislation	15	25
Total audit fees	**45**	**55**
Other services pursuant to legislation		
Interim agreed upon procedures/review work (audit related services)	8	8
Tax services – Tax compliance	–	11
Total non-audit fees	**8**	**19**

In 2018, Deloitte were no longer auditing the Group's financial statements but continued to provide tax services.

8. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

2017/18

Name of Director	Fees/Basic salary	Benefits in kind	Annual bonuses	Total excluding pension	Pension contributions	2018 Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Executive						
Dr S Bourne	164	–	95	259	10	269
Dr G Cooley	194	–	187	381	28	409
Dr R Smith	99	–	29	128	6	134
Non-Executive						
P Hargreaves	23	–	–	23	–	23
Prof R Putnam	160	–	–	160	–	160
Lord Freeman	35	–	–	35	–	35
B Pendlebury	–	–	–	–	–	–
R Bone	35	–	–	35	–	35
Aggregate Directors emoluments	**710**	**–**	**311**	**1,021**	**44**	**1,065**
Other key management personnel						
A Allen	89	–	–	89	8	97
Aggregate remuneration	799	–	311	1,110	52	1,162
Employers NI						144
Total payroll costs for Directors and key management personnel						**1,306**

2016/17

Name of Director	Fees/Basic salary	Benefits in kind	Annual bonuses	Total excluding pension	Pension contributions	2017 Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Executive						
Dr S Bourne	157	–	90	247	8	255
Dr G Cooley	185	–	176	361	28	389
Dr R Smith	95	–	–	95	5	100
Non-Executive						
P Hargreaves	45	–	–	45	–	45
Prof R Putnam	130	–	–	130	–	130
Lord Freeman	35	–	–	35	–	35
B Pendlebury	–	–	–	–	–	-
R Bone	35	–	–	35	–	35
Aggregate emoluments	**682**	**–**	**266**	**948**	**41**	**989**

Three Directors were members of money purchase schemes during the year (2017: 3).

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.

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

Name of Director	Scheme	1 May 2017 Number	Grant date	30 April 2018 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	06/08/2014	250,000	26p	01/08/2012	05/08/2024
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	06/08/2014	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

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

	2018	2017
Remuneration of the highest paid Director	**£'000**	**£'000**
Aggregate emoluments	381	361
Money purchase pension contributions	28	28
	409	**389**

Monthly average number of persons employed	**Number**	**Number**
Research and development	17	17
Production and engineering	53	32
Sales and marketing	9	9
Administration	13	10
	92	**68**

Staff costs during the year (including Directors)	**£'000s**	**£'000s**
Wages and salaries	4,362	3,562
Social security costs	478	391
Other pension costs	282	170
	5,122	**4,123**

As at 30 April 2018 pension contributions of £31k (2017 – £23k) due in respect of the current year had not been paid over to the scheme. These were paid over in the following month and within statutory deadlines.

9. TAX

	2018	2017
	£'000s	£'000s
Current taxation		
Tax credit in the year (relating to research and development)	149	–
Tax credit/(charge) relating to prior year	211	(230)
	360	**(230)**

As the Group year-end spans two UK tax years, corporation tax is calculated at the blended rate of 19% (2017: 19.9%). 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:

	2018	2017
	£'000s	£'000s
Loss before tax		
Loss before tax	(6,476)	(3,550)
Tax on loss at 19% (2017: 19.9%)	1,230	706
Factors affecting credit for the year		
Factors affecting credit for the year:		
Expenses not deductible for tax purposes	(11)	(10)
Fixed asset differences	(299)	(243)
Research and development enhanced relief	149	–
Adjustments in respect of prior years	211	(230)
Unrelieved tax losses carried forward	(920)	(453)
Tax credit/(charge) for the year	**360**	**(230)**

Factors affecting future tax charges

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

A deferred tax asset of £5.42m (2017: £4.45m) has not been recognised as there is insufficient evidence that the asset would be recoverable in the foreseeable future. The unrecognised deferred tax asset comprises a deferred tax asset of £4.238m (2017: £3.532m) in respect of accumulated tax losses and £1.181m (2017: £0.914m) in respect of decelerated capital allowances. The unrecognised deferred tax asset would be recoverable to the extent that the Group 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 30 April 2018.

10. LOSS PER SHARE

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

	2018	2017
	£'000	£'000
Loss		
Loss for the purposes of basic and diluted loss per share being net loss attributable to owners of the Company	(6,116)	(3,780)
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	287,311,287	222,513,007
Loss per Share	2.1p	1.7p

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.

11. 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 2016	2,412	1,574	491	203	1,874	1,246	7,800
Additions	229	67	118	–	921	1,952	3,287
Grant received	–	–	–	–	–	(477)	(477)
Transfers	1,962	–	–	–	–	(1,962)	–
Disposals	(96)	(129)	(1)	(2)	–	–	(228)
At 1 May 2017	4,507	1,512	608	201	2,795	759	10,382
Additions	48	226	93	6	649	7,622	8,644
Grant received	–	–	–	–	–	(7,130)	(7,130)
Transfers	690	–	–	–	–	(690)	–
Disposals	(553)	(4)	–	(1)	(15)	–	(573)
Foreign exchange	(43)	–	–	–	–	–	(43)
At 30 April 2018	**4,649**	**1,734**	**701**	**206**	**3,429**	**561**	**11,280**

	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
Depreciation							
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 1 May 2017	2,202	1,198	482	198	1,683	100	5,863
Disposals	(551)	(3)	–	(1)	(15)	–	(570)
Charge for the year	840	162	76	2	531	–	1,611
Impairment	–	–	–	–	43	(100)	(57)
Foreign exchange	(21)	–	–	–	–	–	(21)
At 30 April 2018	**2,470**	**1,357**	**558**	**199**	**2,242**	**–**	**6,826**
Net book value							
At 30 April 2017	2,305	314	126	3	1,112	659	4,519
At 30 April 2018	**2,179**	**377**	**143**	**7**	**1,187**	**561**	**4,454**

12. INTANGIBLE ASSETS

	Software	Development costs	Total
	£'000s	£'000s	£'000s
Cost			
At 1 May 2016	–	252	252
Additions	–	151	151
At 30 April 2017	–	403	403
Additions	6	70	76
At 30 April 2018	**6**	**473**	**479**
Amortisation			
At 1 May 2016	–	–	–
Impairment	–	3	3
Charge for the year	–	20	20
At 30 April 2017	–	23	23
Charge for the year	**1**	**100**	**101**
At 30 April 2018	**1**	**123**	**124**
Carrying amount			
At 30 April 2017	–	380	380
At 30 April 2018	5	350	355

The amortisation period for externally purchased software has been set at three years (in-line with our policy for computer equipment).

Development costs are generated internally by development of our stack technology and unit designs. They are amortised over four years. Those currently being amortised have three further years to run at the balance sheet date.

13. SUBSIDIARIES

A list of investments in subsidiaries, including the name, country of incorporation and proportion of ownership interest is given in note 33 to the Company's separate financial statements.

14. INVENTORIES

	2018	2017
	£'000s	£'000s
Raw materials	299	342
Work in progress	356	418
	655	**760**

Inventories have been stated after a provision for impairment of £209k (2017: £187k).

15. CONSTRUCTION CONTRACTS

	2018	2017
	£'000s	£'000s
Contracts in progress at the balance sheet date:		
Amounts due from contract customers included in trade and other receivables	1,343	779
Contract costs incurred plus recognised profits less recognised losses to date	3,040	2,215
Less: progress billings	(3,048)	(2,734)
Gross amount due to customers	**(8)**	**(519)**

At 30 April 2018, retentions held by customers for contract work amounted to £Nil (2017: £33k). Advances received from customers for contract work amounted to £438k (2017: £510k).

At 30 April 2018, £438k (2017: £808k) included in trade and other receivables and arising from construction contracts is due for settlement after more than 12 months. N.B. This comparative figure has changed due to the restatement of the balance sheet to include restricted cash balances in this section.

16. TRADE AND OTHER RECEIVABLES

	2018	RESTATED 2017
	£'000s	£'000s
Amount receivable for the sale of goods	17	61
Amounts due from construction contract customers (note 15)	1,343	779
Amounts receivable under grant claims	3,178	1,133
Allowance for doubtful debts	–	(166)
Restricted cash balances	1,572	1,446
Other receivables	882	317
Corporation tax	360	191
Prepayments	6,227	4,368
Accrued sales income	370	1,026
Accrued grant income	4,551	3,373
	18,500	**12,528**

In the prior year, amounts relating to cash held on guarantee for construction contracts were included as cash equivalents amounting to £1,446,000. These have been reclassified to other receivables as they are not considered to be highly liquid and therefore do not meet the definition of a cash or cash equivalent. Restricted cash balances are held on guarantee for construction contracts and will be released upon the completion of certain milestones, which are either technical or time-bound.

Trade receivables disclosed above are classified as loans and receivables and are therefore measured at amortised cost.

Their ageing is analysed as follows:

	2018	2017
	£'000s	£'000s
Less than 30 days	12	78
31-60 days	1,675	319
61-90 days	2	86
91-120 days	10	5
Greater than 120 days	2,839	1,484
	4,538	**1,972**

There were receivables totalling £2,527k (2017: £1,318k) that were overdue but considered fully recoverable. £742k has already been received post year-end. Of the remaining £1.8m, £1.4m relates to grant claims, and a sum of £405k relates to the overdue contract in ITM Power Inc. described in note 4 – Recoverability of Debtors.

	2018	2017
	£'000s	£'000s
Movement in the allowance for doubtful debts		
Balance at the beginning of the year	(166)	(29)
Impairment losses recognised	(27)	(166)
Amounts written off during the year as uncollectible	27	26
Released in period	166	3
	–	**(166)**

17. CASH AND CASH EQUIVALENTS

	2018	RESTATED 2017
	£'000s	£'000s
Cash and cash equivalents	**20,403**	**1,558**

In the prior year, amounts relating to cash held on guarantee for construction contracts were included as cash equivalents amounting to £1,446,000. These have been reclassified to other receivables.

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.

18. TRADE AND OTHER PAYABLES

	2018	2017
	£'000s	£'000s
Trade and other payables		
Trade payables	1,403	923
Other taxation and social security	151	126
Other creditors	16	7
Accruals	1,475	720
Deferred Sales income	764	1,515
Deferred Grant income	2,396	1,203
Grant income received against pro-formas	1,723	2,172
	7,928	**6,666**

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

19. PROVISIONS

	Leasehold property provision	Warranty	Total
	£'000s	£'000s	£'000s
Balance at 1 May 2016	–	–	–
Additional provision in year	–	(9)	(9)
Balance at 30 April 2017	–	(9)	(9)
Use of the provision	–	92	92
Additional provision in year	(594)	(337)	(931)
Balance at 30 April 2018	**(594)**	**(254)**	**(848)**

The leasehold property provision was created in the year when it became known that we would be leaving our current premises and represents management's best estimate for the restoration work that may be required to return the buildings to the landlord by October 2019.

The warranty provision represents management's best estimate of the Group's liability under warranties granted on products, based on historical knowledge of the products and their components. As with any product warranty, there is an inherent uncertainty around the likelihood and timing of a fault occurring that would trigger further work or part replacement.

20. CALLED UP SHARE CAPITAL AND RESERVES

	2018	2017
	£'000s	£'000s
Called up, allotted and fully paid: 324,009,397 (2017: 250,613,176) ordinary shares of 5p each	16,200	12,531
Authorised Share capital: 324,009,397 (2017: 256,350,790) ordinary shares of 5p each	16,200	12,818

During the year the Company issued 73,396,221 ordinary shares of 5p each for a consideration of £29,358,000.

Holders of ordinary shares have voting rights at Annual General Meetings and Extraordinary General Meetings in proportion with their shareholding.

The effect on the share premium account is shown below:

	2018	2017
	£'000s	£'000s
Share premium balance at start of year	61,930	58,151
Issue of shares	25,689	4,046
Expenses associated with issue of shares	(988)	(267)
Share premium balance at end of year	**86,631**	**61,930**

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.

21. NOTES TO THE CASH FLOW STATEMENT

	2018	2017
	£'000s	£'000s
Loss from operations	(6,494)	(3,550)
Adjustments for property, plant and equipment		
Depreciation	1,611	1,181
Loss on disposal	2	22
Impairment	43	100
Impairment reversal	(100)	–
Amortisation	101	23
Warranty provision in profit or loss	245	–
Operating cash flows before movements in working capital	(4,592)	(2,224)
Decrease/(Increase) in inventories	105	(469)
Increase in receivables	(5,808)	(5,363)
Increase in payables	1,262	2,747
Increase in provisions	839	9
Cash used in operations	(8,194)	(5,300)
Income taxes received	189	252
Net cash used in operating activities	**(8,005)**	**(5,048)**

22. CAPITAL COMMITMENTS

The Group had no capital commitments at the balance sheet date (2017: none).

23. 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:

	2018	2017
	£'000s	£'000s
Land and buildings		
Within one year	212	229
Between two and five years	361	559
Commercial vehicles		
Within one year	14	–
Between two and five years	25	–
Total lease commitments		
Within one year	226	229
Between two and five years	386	559

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

Additionally in 2018, the Group entered into operating leases for four vans. These are being leased for three years.

24. CONTINGENT LIABILITY

Receipt of government grants

The Group participates in a number of grant funded projects. Income is recognised in the accounts as receivable based on the grant contract and the levels of expenditure incurred on the project. It is claimed periodically according to a timetable laid down by each coordinator. The claims are audited before any money is awarded. However, grants are ultimately funded by government or EU institutions and can be subject to further scrutiny at later dates. This leaves grant income in the accounts subject to potential recall.

Management do not know which grants will be subject to such audit nor the time that they are likely to arise and as such would be unable to quantify the potential financial impact of any subsequent recall of funds. To the best of their knowledge, claims are made for expenditure agreed ahead of any project undertaking and in accordance with grant procedure.

25. 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.

	2018		2017	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding at the beginning of the year	5,456,747	32p	5,737,614	32p
Granted during the year	–	–	–	–
Exercised during the year	–	–	–	–
Expired during the year	(50,002)	44p	(280,867)	54p
Outstanding at the end of the year	**5,406,745**	**31p**	**5,456,747**	**32p**
Exercisable at the end of the year	**5,406,745**	**31p**	**5,456,747**	**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 2018 had a weighted average exercise price of 31p 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:

	2018	2017
	£'000s	£'000s
Weighted averages		
Share price	31p	32p
Exercise price	31p	32p
Expected volatility	45%	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.

Year Issued	Exercise price	Last Vesting date	Total shares
2009	0.1825	2012	200,000
2009	0.205	2010	50,000
2010	0.1875	2011	466,665
2010	0.1875	2012	466,665
2010	0.1875	2013	466,670
2010	0.2425	2011	183,332
2010	0.2425	2012	266,729
2010	0.2425	2013	306,684
2011	0.31	2011	50,000
2011	0.545	2012	16,666
2011	0.545	2013	16,666
2011	0.545	2014	16,668
2011	0.6675	2011	1,500,000
2012	0.4988	2012	100,000
2012	0.5	2012	250,000
2013	0.4062	2014	16,666
2013	0.4062	2015	16,666
2013	0.4062	2016	16,668
2014	0.026	2014	1,000,000

The Group has recognised share-based payment expense in the income statement for the year of £nil (2017 – £nil).

26. 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.

	2018	2017
Categories of financial instruments	**£'000s**	**£'000s**
Financial assets – amortised cost		
Cash and cash equivalents	20,403	1,558
Amount receivable for the sale of goods	17	61
Amounts due from construction contract customers (note 15)	1,343	779
Amounts receivable under grant claims	3,178	1,133
Allowance for doubtful debts	–	(166)
Restricted cash balances	1,572	1,446
Other receivables	882	317
Accrued sales income	370	1,026
Accrued grant income	4,551	3,373
	32,316	**9,527**

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.

	2018	2017
Categories of financial instruments	**£'000s**	**£'000s**
Financial liabilities – amortised cost		
Trade payables	1,403	923
Other taxation and social security	151	126
Other creditors	16	7
Accruals	1,475	720
	3,045	**1,776**

Fair value through profit and loss

As at 30 April 2018, the Group had no financial instruments that were measured at fair value through profit or loss (2017: none). The carrying value of all financial instruments at 30 April 2018 and 30 April 2017 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. Management may look to use forward contracts as a means of mitigating exposure to exchange rate volatility on long-term contracts.

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 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. The age of financial assets that are past due at the end of the reporting period but not impaired is disclosed in note 16.

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.

Foreign currency risk management

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

The table below shows the Group's currency exposure. Such exposure comprises the monetary assets and monetary liabilities that are not denominated in the functional currency of the operating unit involved. The Group's exposure to currency risk predominately arises on borrowings denominated in currencies other than the functional currency of the operating unit excluding intercompany balances. At 30 April 2018, these exposures were as follows:

	Liabilities		Assets	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
EUR	160	20	2,363	1,628
USD	8	13	610	51
SEK	–	–	38	23
	168	**33**	**3,011**	**1,702**

Foreign currency sensitivity analysis

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

	EURO impact		USD impact	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Profit or loss	20	12(i)	42	99(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 £62,000 (2017: £111,000).

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.

27. 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. All related party transactions which were not intra group have been conducted at arm's length.

In the year, sales of hydrogen fuel to JCB Research (a corporate shareholder, represented on the Board by R Pendlebury) totalled £519.66 (2017: £68.39). The balance outstanding at the year-end was £356.28 (2017: £Nil) which is deemed as being fully recoverable.

The remuneration of the Directors, who are the key management personnel of the Group, is shown in note 8.

The Group operates a defined contribution pension scheme that is administered by Hargreaves Lansdown. Former Board member Peter Hargreaves was also a shareholder in Hargreaves Lansdown.

28. 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 2018

	Called up share capital	Share premium account	Retained loss	Total equity
	£'000s	£'000s	£'000s	£'000s
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 and comprehensive loss	–	–	(10,109)	(10,109)
At 30 April 2017	**12,531**	**61,930**	**(49,707)**	**24,754**
At 1 May 2017	12,531	61,930	(49,707)	24,754
Issue of shares	3,670	24,701	–	28,371
Loss for the year and comprehensive loss	–	–	(29,912)	(29,912)
At 30 April 2018	**16,201**	**86,631**	**(79,619)**	**23,213**

COMPANY BALANCE SHEET
YEAR ENDED 30 APRIL 2018

	Note	2018	2017
		£'000s	£'000s
Fixed assets			
Tangible assets	32	11	13
Investments	33	4,397	24,612
		4,408	24,625
Current assets			
Debtors	34	321	259
Cash at bank and in hand		18,809	115
		19,130	**374**
Creditors: amounts falling due within one year	35	(325)	(245)
Net current assets		18,805	129
Total assets less current liabilities, being net assets		23,213	24,754
Capital and reserves			
Called-up share capital	36	16,200	12,531
Share premium account		86,631	61,930
Profit and loss account		(79,619)	(49,707)
Shareholders' funds		**23,213**	**24,754**

The Company reported a loss for the financial year ended 30 April 2018 of £29.9m (2017: £10.1m).

The financial statements of ITM Power Plc, registered number 05059407, were approved by the Board of Directors and authorised for issue on 10 August 2018.

Signed on behalf of the Board of Directors

Dr. Simon Bourne
ITM Power Plc, Director

29. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

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, financial statements have been prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council.

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

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

In accordance with S408 of the Companies Act 2006, the company has taken the exemption from presenting the parent company's individual profit and loss account.

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

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 25.

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.

30. 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 33. The subsidiaries continue to trade, but currently are trading at a loss, which is seen as temporary by management. The main subsidiary has been impaired to nil as a result of review of the net liability position.

31. STAFF NUMBERS AND COSTS

	2018	2017
	Number	Number
Monthly average number of persons employed	6	6
Staff costs during the year (including Directors)		
Wages and salaries	723	694
Social security costs	93	89
Other pension costs	36	32
	852	**816**

32. TANGIBLE FIXED ASSETS

	Computer equipment	Office furniture and fittings	Leasehold improvements	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 May 2017	186	12	10	208
Additions	8	–	–	8
At 30 April 2018	**194**	**12**	**10**	**216**
Depreciation				
At 1 May 2017	173	12	10	195
Charge for the year	10	–	–	10
At 30 April 2018	**183**	**12**	**10**	**205**
Net book value				
At 30 April 2018	11	–	–	11
At 30 April 2017	**13**	**–**	**–**	**13**

33. INVESTMENTS

	Loans to subsidiary undertakings	Shares in subsidiary undertakings	Total
	£'000s	£'000s	£'000s
Cost			
At 1 May 2017	61,320	3,593	64,913
Additions	8,011	–	8,011
Transfers	(28)	28	–
At 30 April 2018	**69,303**	**3,621**	**72,924**
Provisions for impairment			
At 1 May 2017	40,301	–	40,301
Movement in year	28,226	–	–
Transfers	(3,621)	3,621	–
At 30 April 2018	**64,906**	**3,621**	**68,527**
Net book value			
At 30 April 2018	4,397	–	4,397
At 30 April 2017	**21,019**	**–**	**24,612**

The Company 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 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 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 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 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 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 holds 100% of the ordinary share of ITM Power Pty Ltd, a company which is incorporated in Australia and its principal activity is that of the sale of electrolysis equipment and hydrogen storage solutions. Registered office: Unit 2 Level 1, 32 Main Street, Samford Village, Queensland, Australia 4520.

The Company 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 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.

34. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018	2017
	£'000s	£'000s
Other debtors	166	156
Prepayments	155	103
	321	**259**

35. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018	2017
	£'000s	£'000s
Trade creditors	93	21
Payroll creditors	18	16
Accruals and deferred income	214	208
	325	**245**

36. SHARE CAPITAL AND RESERVES

The movements on share capital and share premium accounts are disclosed in note 20 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.

37. 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.

2017/18 REGULATORY NEWS ANNOUNCEMENTS

2017/18		
RNS	Contract and Hydrogen Bus Refuelling Stations Update	05 Jun 2017
RNS	Change of Adviser	29 Jun 2017
RNS-R	ITM Power Signs Fuel Contract with Honda (UK)	11 Jul 2017
RNS	Re Government Air Quality Plan, Pipeline Increase	26 Jul 2017
RNS	Launch of Large Scale HRS, Pipeline Increase	07 Aug 2017
RNS	Notice of Results	17 Aug 2017
RNS-R	UK Hydrogen for Transport Programme	21 Aug 2017
RNS	Notice of Results	25 Aug 2017
RNS-R	First Hydrogen Bus Route in France	01 Sep 2017
RNS	10MW Refinery Hydrogen Project with Shell	01 Sep 2017
RNS	Sale of 1.1MW Power-to-Gas Plant to Energy Stock	19 Sep 2017
RNS	Proposed Placing and Open Offer	29 Sep 2017
RNS	Timetable for Proposed Placing and Open Offer	29 Sep 2017
RNS	Circular and Investor Presentation	03 Oct 2017
RNS	Result of General Meeting and Open Offer	18 Oct 2017
RNS	Holding(s) in Company	20 Oct 2017
RNS	Price Monitoring Extension	23 Oct 2017

2017/18 REGULATORY NEWS ANNOUNCEMENTS

2017/18		
RNS	Second Price Monitoring Extn	23 Oct 2017
RNS	Directorate Change	25 Oct 2017
RNS-R	Power-to-Gas Storage Study with Northern Gas	09 Nov 2017
RNS	Trading Update	30 Nov 2017
RNS	New Australian Subsidiary and MD, Contract Update	28 Dec 2017
RNS-R	Largest Hydrogen Electrolysis in Shell Refinery	18 Jan 2018
RNS	Half-year Report	29 Jan 2018
RNS	Price Monitoring Extension	29 Jan 2018
RNS	Second Price Monitoring Extn	29 Jan 2018
RNS	Holding(s) in Company	22 Feb 2018
RNS	£8.8m OLEV Funding for Refuelling Infrastructure	26 Mar 2018
RNS	Operations Update	26 Mar 2018
RNS	New Shell Fuelling Station Opened at Beaconsfield	27 Mar 2018
RNS	British Columbia Study	29 Mar 2018
RNS	Massachusetts Power-to-Gas Feasibility Study	05 Apr 2018
RNS	Met Police Fuel Contract, Refuelling Update	10 Apr 2018
RNS	Northern Gas Networks Deployment Study Findings	24 Apr 2018

RNS RNS Reach

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