ITM POWER
Energy Storage | Clean Fuel

ITM POWER 19

ANNUAL REPORT AND FINANCIAL STATEMENTS

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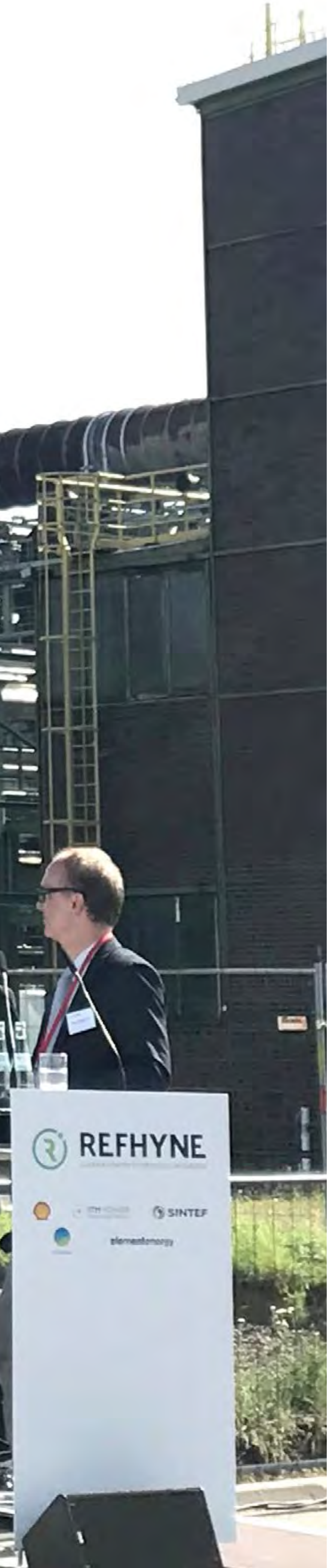
WE ARE POSITIONED AT THE HEART OF GLOBAL EFFORTS TO DECARBONISE FUEL AND ENERGY.

Dr Graham Cooley
CEO, ITM Power Plc

Ground-breaking event for REFHYNE: World's largest PEM Electrolyser located at Shell, Germany



REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 30 APRIL 2019

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ITM Power continues to deliver strong growth with revenues up 25% year on year. The Group has benefited from the lessons learned in deploying units above 1MW for the first time, including in harsh environments and difficult operating conditions.

This delivers significant competitive advantage for future deployments as we scale up and standardise our products. We've also been learning how to maximise value from our growing portfolio of revenue generating assets in the shape of the first real hydrogen refuelling network in the UK.

Dr Graham Cooley
CEO, ITM Power Plc

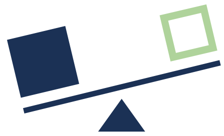
SHAPING A RENEWABLE HYDROGEN FUTURE

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

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

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

Energy storage provision has started to become a mandatory requirement in areas of the world such as California; it is recognised as an essential prerequisite for renewable energy deployment.



Grid balancing and rapid response demand-side services are crucial for the integration of high proportions of renewable energy supply on the electricity grid.

Auto OEMs are rolling out Fuel Cell Electric Vehicles (FCEVs) that require a high purity hydrogen fuel. Hyundai and Toyota have commercial vehicles in production with Honda being the latest Company to also offer a FCEV. Global Hydrogen Refuelling Station infrastructure programmes are underway with significant deployment plans in place.

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

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

CONTENTS

ABOUT US

ITM Power Plc manufactures integrated hydrogen energy solutions, which are rapid response and high pressure that meet the requirements for grid balancing and energy storage services, and for the production of clean fuel for transport, renewable heat and chemicals. ITM Power Plc was admitted to the AIM market of the London Stock Exchange in 2004 and raised its initial funding of £10m gross in its IPO. Further funding rounds of £28.5m in 2006, £5.4m in 2012, £2m in 2013 and £10m in 2014 have been completed. The Company received £4.9m as a strategic investment from JCB in March 2015. The Company currently has £35.46m of projects under contract or in the final stages of negotiation.

OFFICERS AND PROFESSIONAL ADVISORS

DIRECTORS'
Sir R Bone
Dr S Bourne
Dr G Cooley
Lord R Freeman
Mr M Green (Appointed 16/09/19)
Mr R Pendlebury
Prof R Putnam
Dr R Smith
Mr A Allen

REGISTRARS
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The Registry
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Beckenham BR3 4TU

COMPANY SECRETARY
Ms N Ham Edmonds
(Appointed 16/0919)
Mr A Allen (Resigned 16/09/19)

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Lincolnshire, PE1 1XH

SOLICITORS
Burges Salmon LLP
One Glass Wharf
Bristol, BS2 0ZX

AUDITOR
Grant Thornton UK LLP
Statutory Auditor
1 Holly Street
Sheffield, S1 2GT

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

HIGHLIGHTS

FINANCIAL

- Total Revenue & Grant Funding of £17.5m (2018: £14.1m) up 25%, comprising:
  - Sales revenue – £4.6m (2018: £3.3m) up 40%
  - Grant income recognised on the income statement – £7.2m (2018: £4.1m) up 75%
  - Grant income recognised on the balance sheet – £5.7m (2018: £6.7m), down 14%
- Loss from operations £9.3m (2018: £6.5m), increased 44%, EBITDA loss of £7.5m (2018: £4.8m) increased 56% as the Group invests to significantly scale up facilities, resources and production capacity
- Available cash balance of £5.2m at year-end (2018: £20.4m)
- £52m minimum equity fundraise announced today subject to shareholder approval, including a:
  - £38m cornerstone investment from new strategic partner Linde Engineering – (part of Linde AG)
  - Open offer of up to approximately £7m also announced today

COMMERCIAL

- Formation of a worldwide joint venture to market, tender and sell green electrolytic hydrogen projects with Linde Engineering – part of Linde AG, a world leading supplier of industrial, process and speciality gases
- Agreement to lease new premises in Sheffield for global manufacturing headquarters with an electolyser manufacturing capacity of 1GW (1,000MW) per annum, the largest in the world
- Non-contracted tender opportunity pipeline increased to over £379m (September 2017: £200m), illustrating the growth in the global hydrogen economy
- German presence expanded, first sales in Australia

CORPORATE

- Martin Green appointed as non-executive Director, joining the board on 16th September 2019
- Lord Roger Freeman announces resignation as non-executive director with effect from the publication of these financial results
- Resignation of Andy Allen as Company Secretary on 16th September 2019
- Appointment of Nicola Ham Edmonds, Head of Legal, as Company Secretary on 16th September 2019

Clean Fuel

- 15 wholly owned Hydrogen Refuelling Station (HRS) assets in ITM Power Plc's portfolio:
    - eight are fully open to the public; seven are in various stages of construction
- Awarded further £1.8m by OLEV to deliver another refuelling station, part of a larger grant to put 57 new hydrogen cars on the road in the next 12 months
- UK refuelling collaboration agreement with Shell extended to 2024 and to all hydrogen vehicle types
- Hydrogen fuel contracts now 33 in total (2018: 20) with fuel sales increased to 32 tonnes for the period (2018: 16 tonnes), up 100%
- Two bus refuelling stations – Birmingham and Pau in France – due to open this financial year

Power-to-Gas

- Committee on Climate Change recommended a central role for green hydrogen based power storage in its report to the UK government
- Official opening of BIG HIT (Building Innovative Green Hydrogen Systems in an Isolated Territory) in Orkney provided a reference blueprint for renewable hydrogen deployment for island systems
- Undertaking a feasibility study (Centurion) to deploy 100MW Power-to-Gas (P2G) energy storage in Cheshire
- Part of consortium awarded £14.9m over 4 years by Ofgem to fund two decarbonised domestic heating trials in the north of England (HyDeploy and HyDeploy 2) in the largest gas Network Innovation Competition (NIC) project ever and the first to inject green hydrogen into a UK gas grid

Industrial

- EU 10MW refinery project with Shell in Germany is on schedule and progressing well
- Opportunity pipeline contains a growing number of industrial projects as organisations seek to cut their carbon footprint – focus is on refineries and steel making
- Won BEIS competition to demonstrate delivery of bulk, low-cost and zero carbon hydrogen through gigawatt scale PEM electrolysis in partnership with Orsted

CORPORATE UPDATE

ITM Power – Building a global presence

ITM Power Plc has worked hard to build relationships globally by adding anchor points outside of the UK market. This effort will put the Company in a good position to service markets internationally both now and in the future.

Expansion of presence in the German market

In December, the Group moved its German subsidiary, ITM Power GmbH, into new larger premises in Hungen, north of Frankfurt to accommodate both business development staff and a growing after sales and technical support team. Key to operations in Germany will be a store of strategic spares for projects in Germany and throughout Europe.

The technical sales and project management teams in Sheffield have also recruited German personnel to optimise customer support to the German speaking market and to streamline the tendering process and design team liaison with Germany.

"

The German speaking market for hydrogen energy systems is already very strong with many new industrial players entering and actively engaging with ITM Power GmbH. Recognising this positive trend – and because we are building the world's largest PEM electrolyser in Germany – we now feel able to justify significant expansion. I am confident about our offering and its fit to the German market.

Calum McConnell
Managing Director, ITM Power GmbH

First four sales in Australia

January 2019 saw the sale of four 250kW electrolyser systems totalling 1MW to three different customers across Australia. In March 2019, the Group announced that one customer was Toyota Australia who aim to couple their 0.25MW rapid-response PEM electrolyser with renewable energy to generate hydrogen on-site at Toyota's facilities in Altona, Melbourne for refuelling fuel cell electric vehicles, including the Toyota Mirai.

The territory throws up new challenges for compliance and operation in extreme thermal environments but these deployments represent an important step in entering this significant new territory and will serve as reference plants for ITM Power Plc technology in both the mobility and industrial hydrogen sectors in Australia.

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We are delighted to have secured our first standard product sales in Australia. The roll-out of these units starts to create a critical mass to deploy after-sales support and spares, both of which create customer confidence for future tender opportunities and give ITM Power Plc an early mover advantage in this important new market.

Dr Neil Thompson
Managing Director, ITM Power Pty Ltd

Ground breaking of REFHYNE the worlds largest PEM Electrolyser

Sumitomo and ITM Power Plc announce strategic partnership agreement

In July 2018 the Group announced a Strategic Partnership Agreement with Sumitomo Corporation for the development of multi-megawatt projects in Japan based on ITM Power Plc's electrolyser products.

ITM Power Plc and Sumitomo have a similar vision for improving air quality, through the use of hydrogen to decarbonise heat, transport and industrial processes by deploying PEM electrolysers. Both parties are focussed on the importance of storing renewable energy using the production of CO2-free hydrogen.

Sumitomo will introduce ITM Power Plc's products in Japan, including potential customer financing and will refer to ITM Power Plc any electrolyser projects which Sumitomo becomes aware of and considers having the potential for collaboration between the Partners outside Japan.

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The Sustainable supply of energy and improvement of the global environment are material issues that should complement each other.Our goal is to contribute to creating a carbon free society. In order to accomplish this, we will be involved in producing CO2-free hydrogen by electrolyzing water with renewable energy, which can be utilized as fuel for the next generation of energy and mobility. Today we have signed a Strategic Partnership Agreement with ITM Power Plc. Together, we will be exploring possibilities of concrete joint business in Japan and other areas.

Mr. Suzuki
Executive Officer, Sumitomo


DANGER
230 VOLTS AC
SIMATIC PANEL
TOUCH
ITM POWER

MARKETING UPDATE

At the start of April, ITM Power Plc attended for the ninth year at the World's Largest Technology show, the Hannover Messe. The show attracts over 5,000 exhibitors from all around the world and provides ITM Power Plc with a platform to showcase our technology. We had a complete 200kg/day electrolyser on display which highlighted the technical improvements made within the same footprint of previous products as well as a 2.2MW electrolyser stack module, which generated high levels of interest.

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Japan is working hard to become one of the leading hydrogen countries worldwide. We have—and will continue to have—an enormous demand for very large P2G solutions. Secure energy stor¬age is a high priority. Hanover's hydrogen and fuel cell area is the reason for my visit, and ITM offers quality and standards-setting solutions.

Hannover Fair


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REFU
ITM POWER
2.0MW PEM Electrolyser
· Fully integrated & self-contained
· Ultra-rapid response
· High system efficiency
· Self-pressurising
· Fuel cell grade hydrogen
· Compact footprint
· Modular design
· Scale-able to 100MW
ITM POWER
This unit enables excess renewable power (that would otherwise be wasted) to be captured and converted into hydrogen gas.
PUBLIC FOR

BESSEMER PARK – Global Manufacturing HQ, Sheffield

In July 2019, the Company announced that it has signed an agreement to lease new premises in Sheffield for its global manufacturing headquarters. The manufacturing facility will have an electrolyser manufacturing capacity of up to 1GW (1,000MW) per annum, the largest in the world.

PLP Bessemer Park is a strategic location next to junction 34 of the M1 and in close proximity to the Company's existing facilities. ITM Power Plc expects to occupy the building from Spring 2020 and complete its own technical and industrial fit out and transition the majority of its operations into PLP Bessemer Park by Summer 2020.

The requirement to expand production capacity has been led by the continued growth in the Company's order pipeline. The new headquarters will see ITM Power Plc locate into a single building and gain access to a five-fold increase in production space. Key to the selection of the building was the proximity of the grid connection to provide the substantial power supply required for ITM Power Plc's needs, using existing infrastructure near to the location.

"

The move to larger premises and the design of our new manufacturing and testing process has taken some time. I am delighted to be able to announce this key milestone in the project and I do so with confidence that ITM Power Plc and its advisors have done a thorough job in selecting the right premises. The detailed planning that has taken place will pay dividends as we transition our activities to PLP Bessemer Park from the New Year.

Dr Graham Cooley
CEO, ITM Power Plc

BOARD OF DIRECTORS’

Dr Graham Cooley
Chief Executive Officer

Dr Simon Bourne
Chief Technology Officer

Dr Rachel Smith
Executive Director

Mr Andy Allen
Finance Director

Nicola Ham Edmonds
Company Secretary

Prof Roger Putnam
Non-Executive Chairman

Sir Roger Bone
Non-Executive Director

Robert Pendlebury
Non-Executive Director

Mr Martin Green
Non-Executive Director


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STRATEGIC REPORT

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I am pleased to report our plans for expansion of staff and production capacity are on track. The next year will be a period where we transition to our much larger new factory. We welcome the Committee for Climate Change (CCC) report with aspirations to make the UK zero emissions by 2050 and recognise that PEM electrolysis will be an integral part of this new energy mix. 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.

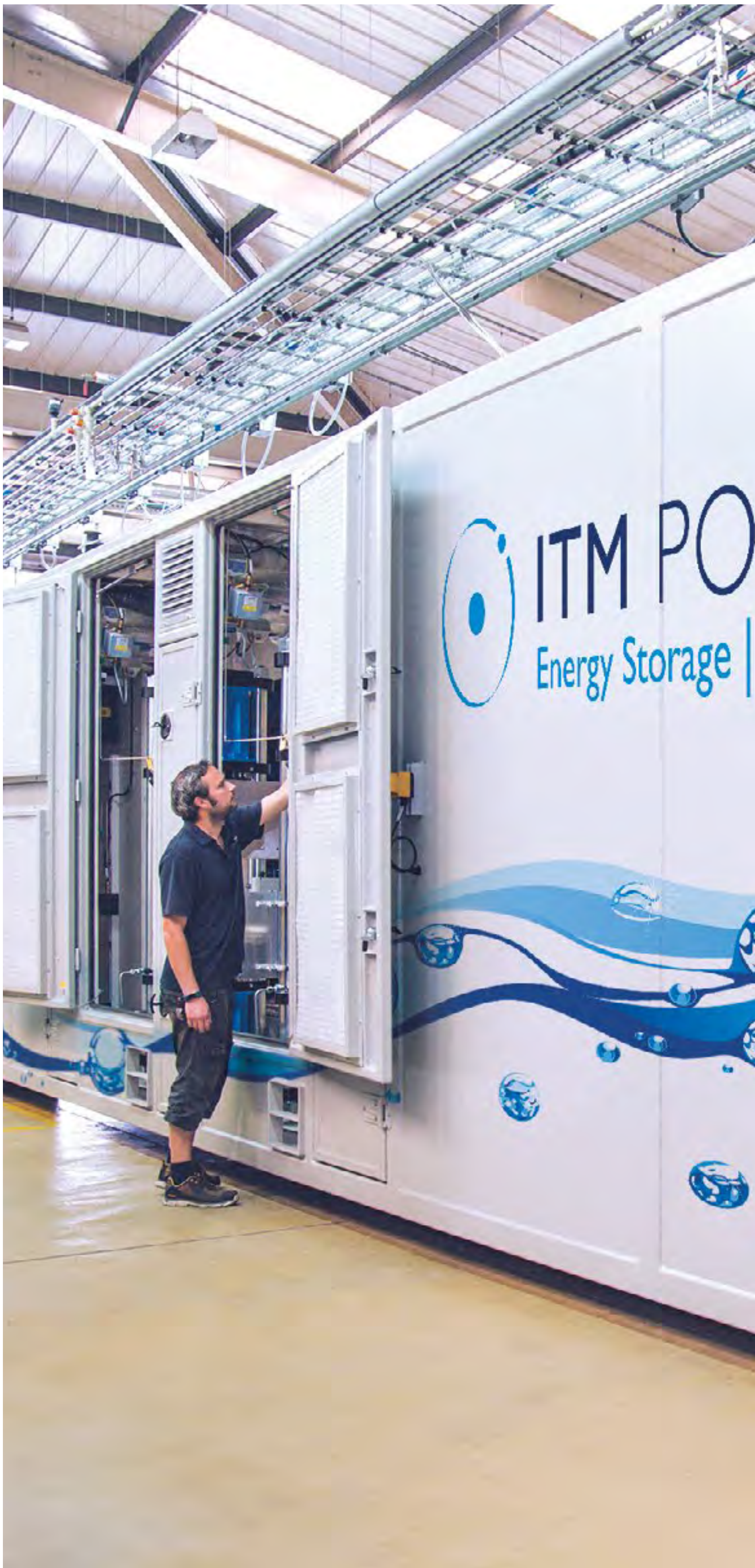
Prof. Roger Putnam
Non-Executive Chairman, ITM Power Plc

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 that are significant to ITM Power Plc and its subsidiary undertakings when viewed as a whole.



BUSINESS MODEL

ITM Power Plc designs and manufactures integrated hydrogen energy systems based on Proton Exchange Membrane (PEM) technology and 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.

ITM Power Plc is a globally recognised expert in hydrogen technologies with the overarching principle to take excess energy from the power network, convert it into hydrogen and use it in one of three broad applications – Power-to-Gas, Clean Fuels and Industrial. 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, the growth of renewables in the energy mix and the need to decarbonise industrial processes.

We also believe that ITM Power Plc remains uniquely placed to capture segments of each market.

King Willem Alexander opens HyStock, where ITM Power Plc supplied the electrolyser to Gasunie

BUSINESS ENVIRONMENT AND ANNUAL REVIEW OF THE BUSINESS

Power-to-Gas

Emissions reduction targets set out in the COP21 Paris Agreement on climate change, as well as reports such as that of the Committee for Climate Change from May 2019 have contributed to an increasing proportion of power from renewables in electricity generation. The ability to match this unscheduled intermittent supply with demand becomes increasingly problematic. In fact, at the point when deployment meets or exceeds 20% capacity, as already experienced in many countries, grid balancing issues become more acute, often leading to the curtailment of wind.

Power-to-Gas can meet the demand for long-term, large-scale energy storage, converting surplus renewable energy into hydrogen gas by rapid response electrolysis and subsequently injecting it into the gas distribution network. These grid balancing services can be an important source of revenue for operators and ITM Power 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, and continues to engage in a number of industry-leading strategic projects, which include HyDeploy, Big Hit, and Centurion.

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

HyDeploy: Hydrogen in the UK gas grid

Funded by Ofgem and led by Cadent and Northern Gas Networks, HyDeploy is an energy trial to establish the potential for blending up to 20% hydrogen into the normal gas supply to reduce carbon dioxide emissions. ITM Power Plc's role is to provide a 0.5MW electrolyser in order to run a year-long live trial of blended gas on part of the University of Keele gas network.

It is the first trial of its kind in the UK, where the project will inject hydrogen into an existing natural gas network. The electrolyser for HyDeploy will be powered by renewable energy sources, ensuring it decarbonises the existing gas supply.

The importance of this trial to the UK is unmeasurable .This is the first ever practical demonstration of hydrogen in the modern gas network in the UK. Hydrogen has the potential to address one of the most difficult sources of carbon emissions – heat. This trial could pave the way for a wider roll out of hydrogen blending, enabling us to begin cutting carbon emissions from heat as early as the mid-2020s, without customers needing to change their gas appliances or behaviour.

Simon Fairman
Director of Safety and Network Strategy, Cadent

During the year, the HSE granted HyDeploy an exemption to the current limit of 0.1% hydrogen in the UK gas network after the project gathered extensive evidence to demonstrate the hydrogen blend would be 'as safe as natural gas'. The exemption is similar to that granted to allow the first bio-methane producers to inject biogas into the natural gas network.

This has led to the award of a further project by Ofgem (HyDeploy2) which will see hydrogen used to help heat UK homes – and massively cut the country's carbon emissions. HyDeploy2 is the natural next step – demonstrating use of blended gas in a controlled and carefully monitored way, at similar hydrogen volume, on the public gas networks.

The money will fund two field trials using the ITM Power Plc electrolyser on public gas networks, blending hydrogen with natural gas to heat around 750 homes in each of the year-long trials. By funding level, this is this is the largest gas Network Innovation Competition (NIC) project ever.

The aim is to build support for a much wider roll-out. If adopted across the UK, using hydrogen like this could save the same amount of carbon as taking 2.5 million cars off the road. A major benefit of this blending approach is that it comes with no disruption to customers – they do not need to change their gas appliances or the pipes to their homes.

"

Today's announcement represents a natural second step for the HyDeploy partners following the trial already announced on Keele University's closed gas grid. The £14.9m from Ofgem funds two field trials on public gas networks supplying a total of 1,500 homes. We are delighted to see Power-to-Gas beginning to take its place in the UK as a front-running technology to cut emissions and – with ITM Power Plc's technology – decarbonise our gas grids.

Graham Cooley
CEO, ITM Power Plc

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HyDeploy2 represents a huge step forward for wider deployment of hydrogen as a clean energy source, as the UK looks towards achieving its vision of a low carbon energy future.

Mark Horsley
Chief Executive, Northern Gas Networks

100MW Power-to-Gas (P2G) energy storage feasibility study

Project partners ITM Power Plc, INOVYN, Storengy, Cadent and Element Energy wish to explore the feasibility of siting a 100MW Proton Exchange Membrane (PEM) electrolyser at the INOVYN Runcorn Site, which already produces hydrogen (used mainly on-site) as a co-product of the chlor-alkali process. This site has an existing 420MW supergrid connection, power electronics and planning consent for industrial scale hydrogen production. The transport of hydrogen by pipeline to salt caverns near Lostock, where it can be stored pure or blended with natural gas, will be explored, along with the feasibility of injection into the local gas network. Other potential demands for the hydrogen will be assessed, including industrial and transport use which will support existing studies in the area, particularly Cadent's HyNet NW.

The feasibility study is being supported by Innovate UK. It's objectives are: to produce system design with costs significantly below current targets; to build the consensus on P2G systems as an important part of a decarbonised energy system; and to produce the evidence base for raising financing for the deployment of the project.

Project Centurion will build upon the work done in HyDeploy and HyDeploy2. Once built, it will be the first-time a P2G system injects hydrogen into the public gas network in the UK at scale. It will be the first time the electricity and gas system would be coupled in the UK to provide energy storage for excess electricity; and it will be the largest water to hydrogen electrolyser system in the world (based on current deployments).

Project Centurion is an ambitious project with an important consortium of industrial partners that share a world class vision of Power-to-Gas energy storage. The project explores green hydrogen production, pipeline transmission, salt cavern storage and gas grid injection at an industrial scale and will assess the business case for deployment.

Graham Cooley
CEO, ITM Power Plc

Power-to-Gas energy storage is key to decarbonise European energy systems. We firmly believe hydrogen is a promising solution and a project like Centurion will allow us to identify the conditions under which such a project could be developed in the future.

Catherine Gras
Managing Director, Storengy UK

BIG HIT creates exemplar 'hydrogen islands' energy system for Orkney

Building Innovative Green Hydrogen systems in an Isolated Territory: a pilot for Europe

This 'Building Innovative Green Hydrogen Systems in an Isolated Territory' (BIG HIT) project is a major first step towards creating a genuine hydrogen territory in the Orkney Islands. BIG HIT has been widely recognised as the leading project of its kind in Europe. The BIG HIT project provides a blue print for renewable hydrogen deployment for island systems and new hydrogen territories. This will benefit communities and businesses who want to use more locally generated renewable energy. The project address a number of operational and development challenges including the logistical and regulatory aspects for transport of hydrogen fuel between islands, and the orientation and familiarisation with new hydrogen building and transport technologies.

The official opening of BIG HIT took place on 16th May 2018 in Kirkwall, the Orkney Islands, bringing together communities, industry, and politicians who are all working together to deploy one of Europe's leading energy systems. The project will enable more renewable energy to be produced and used locally in the Orkney Islands of Scotland and also support similar deployments more widely.

"

We are very supportive of the BIG HIT initiative because it will help alleviate grid constraints in the Orkney Islands by enabling excess renewable energy generated locally, but what cannot be transmitted to the mainland to be stored and used to produce hydrogen. This innovative project will add to our growing understanding of the potential role of hydrogen in Scotland's future energy system, as identified in Scotland's Energy Strategy which I published in December.

Paul Wheelhouse
Energy Minister

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

At present the Shapinsay and Eday wind turbines are often ‘curtailed’, losing on average more than 30% of their annual output, limited by grid capacity restrictions in Orkney. This wasted energy from the locally owned Shapinsay wind turbine will be used by the BIG HIT project to produce renewable hydrogen using a 1 MW PEM electrolyser supplied by ITM Power Plc. Storing excess renewable energy as renewable hydrogen in this way increases the utilisation of the installed wind capacity without the need to reinforce the grid connection.

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The Orkney Islands are the ideal test bed for the creation of a fully-fledged hydrogen territory with hydrogen produced and used sustainably. We are pleased to have helped develop the project and that ITM Power Plc’s equipment is part of this important European initiative.

Graham Cooley

CEO, ITM Power Plc

Clean fuels

The transport sector is one of the largest users of fuel in the world, and currently it is dependent on fossil fuels, which are highly polluting and are becoming ever more scarce and expensive.

Hydrogen is light and can be stored under pressure, making it suitable for many vehicle types as it does not add further weight, or use further energy when on board. Hydrogen can be made from just water and renewable energy using an electrolyser, splitting the water into hydrogen and oxygen, when used, the hydrogen returns to water vapour.

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. Inner city air quality is a driving force for Fuel Cell Electric Bus (FCEB) deployment, as air pollution is a major contributor to poor health in the UK. Extension of hydrogen refuelling for use in trains and boats is also gaining traction.

On 11 September 2018 at the 'Zero Emission Vehicle Summit' in Birmingham, Prime Minister Theresa May outlined the UK Government's "Road to Zero Strategy" which includes funding of £1.5 billion for ultra-low-emission vehicles by 2020. At the event, the Prime Minister also announced more than £100 million of funding for innovators in ultra-low-emission vehicles and hydrogen technology. The Road to Zero Strategy is the most comprehensive plan globally – mapping out in detail how the UK will reach its target for all new cars and vans to be, effectively, zero emission by 2040 – and for every car and van to be zero emission by 2050.

ITM Power Plc has won contracts to supply on-site hydrogen generation equipment for refuelling in the UK, France and the US. It is currently rolling out a network of thirteen hydrogen refuelling stations in the UK of which six are now fully open for public access. In the year, the Group dispensed 32 tonnes of hydrogen from its refuelling stations (2018: 16 tonnes).

Car refuelling

In September 2018, the Group opened its seventh public access hydrogen refuelling station (HRS) located at Johnson Matthey, Swindon on the M4 corridor. The opening was supported by Toyota, Hyundai and Honda. The station uses electricity via a renewable energy contract and water to generate hydrogen on-site with no need for deliveries. It is now open for public and private fleets operating fuel cell electric vehicles

As the refuelling network continues to grow alongside growth in deployment of vehicles, ITM Power Plc has designed a mobile app which lets users of our stations know where their nearest hydrogen refuelling station is located, provides directions and other details on how to refuel all from the convenience of their mobile phone. A video has also been published which shows customers how to refuel a Fuel Cell Electric Vehicle (FCEV). The video outlines the full refuelling process, which is standardised from one station to the next and takes you step by step, how to refuel at both 350bar and 700bar hydrogen.

During the year, ITM Power Plc became a partner in a €26 million pan-European initiative, the ZEFER (Zero Emission Fleet vehicles for European Roll-out) project. It will deploy 180 hydrogen fuel cell electric vehicles as taxis, private-hire vehicles and police cars in Paris, Brussels and London.

For ITM Power Plc, the existence of this scheme will help to ensure high utilisation of its early networks of hydrogen refuelling stations. This improves the economics of operating the stations and hence helps accelerate the commercialisation of hydrogen as a zero-emission fuel.

"

The opening of this new ITM Power Plc facility establishes a valuable, strategic link in the development of the UK's hydrogen fuel infrastructure. We welcome it not only as a benefit for drivers of the Toyota Mirai hydrogen fuel cell electric saloon, but also as another step towards realising the wider benefits of hydrogen as a clean and sustainable energy source in the future – a key mission for Toyota globally.

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

"

Project ZEFER is an important step towards widespread commercialisation of hydrogen cars. These hydrogen cars will be put under high utilisation, pushed to their limit to prove the case of the technology and hopefully we will soon see manymore of them on European roads.

Bart Biebuyck
Executive Director, FCH JU

"

As the demand for zero emission vehicles of all types is increasing at a rapid rate, it's imperative that the necessary infrastructure is deployed at a pace that matches. For Hyundai, the opening of the 7th station from ITM shows a clear and timely commitment to hydrogen deployment from both the public and private sector as we prepare for the imminent UK launch of NEXO, our next generation fuel cell electric vehicle.

Tony Whitehorn
President and CEO, Hyundai Motor UK

LARGER VEHICLE REFUELLING

ITM Power Plc will deploy bus refuellers in Birmingham and Pau next year. This will prove that ITM Power Plc systems are now at a scale where a fleet of buses can be supported by one electrolyser on a return to base principle and other large schemes are likely to follow, for applications such as heavy logistics, trains and ships.

The Birmingham 3MW bus project

This is ITM Power Plc's first project in the hugely promising hydrogen fuel bus segment and is expected to enhance our competitive advantage for additional future opportunities. The 3MW Electrolyser is built and has successfully undergone initial testing. The civil engineering works at the Tysley Energy Park are underway and the refuelling station will be ready for operation in 2019. 20 fuel cell buses are expected to be delivered in 2019 to commence operation on Birmingham bus routes.

Further bus station for Pau, France

Work is continuing on the first bus hydrogen station for France, where ITM Power Plc will deploy an electrolyser to generate clean hydrogen to refuel Hydrogen buses. The busses have solid advantages, such as long driving range (350 km) and rapid recharging (10 minutes). These provide them, amid the various zero-emission bus technology options, with the highest level of operational flexibility and productivity for a bus operator. The station, along with the hydrogen busses should be operational in September 2019.

INDUSTRIAL

Refineries currently use hydrogen to improve the quality of fractional distillation products and most of this hydrogen is produced from steam-reforming but in order to comply with stringent legislation and avoid fines, refineries need a cost effective green hydrogen solution that reduces carbon emissions while allowing them to maintain output.

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

Finally, in steel making, iron ore requires chemical reduction before being used to produce steel; this is currently achieved through the use of carbon, in the form of coal or coke. When oxidised, this leads to emissions of about 2.2 tonnes of CO_2 for each tonne of liquid steel produced. 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.

The Company's flagship EU 10MW refinery project with Shell

The project is progressing well. The Group has established a dedicated project office and ring-fenced staff to work exclusively on this ground-breaking project. The initial design work has been completed for the planning permit application submission in Q4 2018.

The Project Manager, Dr John Newton (formerly CIO at RWE npower), is working closely with Shell and their chemical process engineering sub-contractor in preparation for the detailed design phase, to ensure the plant will conform with the stringent safety and compliance requirements of a major refinery.

The project team are attending regular joint technical review meetings at the refinery and will be hosting Shell and their sub-contractor partners, for similar meetings in the dedicated project office in Sheffield.

The Refhyne consortium has recently produced an information video, available at www.youtube.com/watch?v=tpPS62RTKd0


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Payment Terminal

REVENUE STREAMS FOR THE GROUP

As well as having potential revenue streams from three large application markets, there are a variety of ways in which the Group can generate revenue globally:

Sales of systems

ITM Power Plc positions itself as the provider of hydrogen systems solutions, selling electrolysers and full systems to customers globally. The Group offers standard systems as well as bespoke offerings based around our core technology which can be modular 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 specifications.

Maintenance revenue

ITM Power Plc offers warranties on systems, which are valid alongside ITM Power Plc remote support and maintenance contracts. Thus the Group expects to manage a growing income stream as system deployments continue.

Fuel sales revenue (own and operate model)

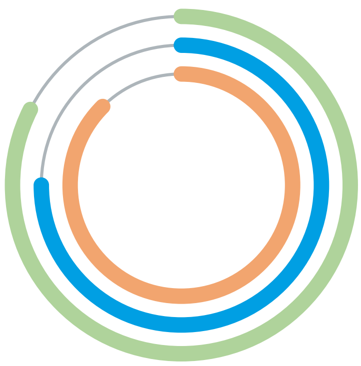
The Group has been the beneficiary of funding from EU bodies, which has helped accelerate infrastructure development.

Grant funding for innovation and scale up

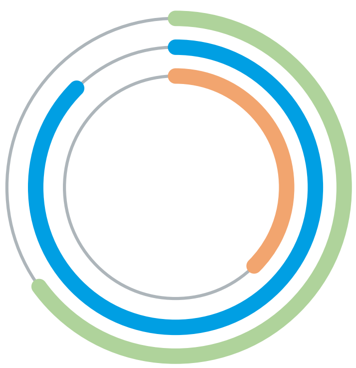
The Group utilises funding from grant bodies to contribute towards research and the technical advancement of the electrolyser product through offering greater efficiencies which manifest as cost reduction of the ITM Power Plc systems.

FINANCIAL PERFORMANCE

Total projects income
● £17.56m ● £14.11m ● £9.23m



Projects under contract
● £33.00m ● £30.64m ● £35.46m



Net assets
● £26.21m ● £35.59m ● £13.07m

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 four build projects, providing electrolysers in each of our three target markets. This year's revenue figures have been affected by a transitional adjustment to the new IFRS 15 "Revenue from contracts with Customers" (resulting in an increase of £0.638m). See Notes 3-5.

Meanwhile, consultancy income reduced from £0.14m in 2018 to £0.07m. This is likely to be cyclical as consultancy services are often procured with a view to sourcing units in competitive tenders.

Fuel sales continue to increase from £0.16m in 2018 to £0.37m as our refuelling stations begin to attract greater volumes of customers and sales.

Total collaborative project funding recognised in the year was £12.97m of which £7.23m is recognised on the income statement (2018: £10.82m, of which £4.14m was recognised on the income statement). Project funding has supported ITM Power Plc in developing 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 £9.32m (2018: £6.48m). This can be attributed to similar factors as last year; firstly, the impact of producing first-of-a-kind large scale plant then installing it in new and varied situations; secondly, increased costs of recruitment in the year as the Group continued to grow in preparation for delivery of ITM Power Plc's future order book. The Company also recognised an impairment relating to a historic prepayment having reached a commercial agreement with the supplier. These costs will not be expected to recur once the move to the new factory is completed as additional space and upgraded power will allow for more rigorous factory testing of our larger scale products prior to site delivery.

Net cash burn increased to £15.23m (2018: £9.50m before fundraise). 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 up front expenditures required on our build projects (including grant funded projects) in order to secure timely deliveries of long lead-time components. This figure was particularly high at the year-end given our focus on larger systems and the timing of their design completion, procurement and commencement of build.

FINANCIAL POSITION

In the year, the Group capitalised development costs of £0.38m (2018: £0.07m). This was for product developments that will continue to keep the Group at the forefront of PEM electrolysis as well as the design of standard products and internal procedures that will facilitate our offering to the markets. The Directors see continued product development as key to building commercial traction.

There was also an increase in fixed assets to £5.7m from £4.5m in the prior year, which relates to assets under construction and 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. The total book value of refuelling assets was £4.1m (2018:£2.5m).

At year end, ITM Power Plc had current assets totalling £39.0m (2018: £39.6m). Funds in the bank amounted to £6.9m (2018: £22.0m), of which amounts on guarantee totalled £1.7m (2018: £1.6m). The Group has previously been required to place amounts on guarantee as cash cover, which limits working capital available to the Group mid-contract. ITM Power Plc continues to structure quotes to include upfront payment with orders to limit the adverse impact of increased activity on working capital.

Total receivables excluding restricted cash amounts have increased from £16.9m (2018) to £30.2m.This movement is dominated by pro forma and early stage payments made to suppliers for stock items required in the next wave of units through production. As systems in production become larger and more sophisticated, the need to find new suppliers who can meet our requirements for parts means that we are faced with higher volumes of staged or up-front payments until a trading history can be developed to assist our credit rating. Prepayments and accrued income was £22.5m in 2019 (2018: £11.2m), up 102%.

Trade debtors at the end of years 2018 and 2019 predominantly relate to grant income debtors.

Creditors have increased from £7.9m (2018) to £17.6m. This movement is primarily a result of an increase in accruals and deferred income from £6.4m to £13.9m, which reflects both money received up front for construction contracts and grant income receivable against payment of pro forma invoices. This latter income is generated as grant claims are made against defrayed costs, including any stage payments to suppliers. The income would normally sit against the costs of the build to which it relates. However, until the parts arrive and become incorporated in that build, the grant income sits unmatched on the balance sheet.

At year end, the Group had trade creditors of £3.4m against a prior year balance of £1.4m. This number has predominantly increased due to the size and stage of progress on contracts.

KEY FINANCIALS

A summary of the financial KPIs is set out in the table below and discussed in this section. This year's revenue figures are not comparable with prior years due to the change in accounting standard from IAS11 to IFRS15. See Notes 3-5.

	2019	2018	2017	2016
Total projects income, being sales and grants receivable (as split below)	**£17.56m**	£14.11m	£9.23m	£8.19m
Of which: sales revenue	**£4.59m**	£3.28m	£2.42m	£1.93m
Of which: grant recognised in the income statement	**£7.23m**	£4.14m	£4.16m	£3.19m
Of which: grant recognised on the balance sheet (grant income against assets plus movement on grant income against pro-forma)	**£5.74m**	£6.68m	£2.65m	£3.07m
Pre-tax loss	**£9.32m**	£6.48m	£3.55m	£4.36m
Projects under contract or in final stage of negotiation*	**£33.00m**	£30.64m	£35.46m	£16.32m
Non-current assets	**£6.41m**	£4.81m	£4.90m	£3.28m
Net assets	**£26.21m**	£35.59m	£13.07m	£11.64m

*Contracts can take a period longer than 12 months to unwind through the accounts. In the year ended 30 April 2019, income recognised was £17.6m (2018: £14.1m) against a pipeline reported at the results announcement 2018 of £30.6m (2017: £35.5m). Therefore, of the contracted pipeline, the Group delivered on projects equivalent to 58% (2018: 40%).

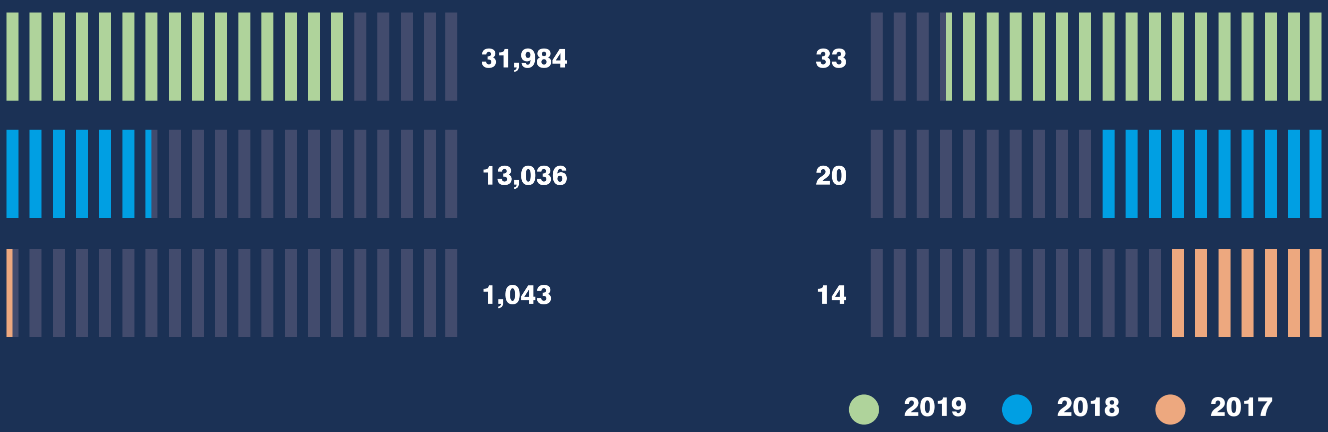
Projects under contract and in the final stage of negotiation are a non-statutory measure that the board of Directors use to assess progress and monitor the Group. Items under contract are contract projects that are being progressed. Projects in negotiation are added once the Directors are certain that 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 associated with the projects under contract or in the final stages of negotiation.

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 but KPIs from prior years will act as a baseline for future performance.

In 2019, the number of fuel contracts continued to rise but we also started receiving enquiries from private individuals. This means that going forwards, the number of fuel contracts may not continue in the same trajectory and will become a less important measure of the growth of the market for ITM Power Plc.

EVENTS AFTER THE BALANCE SHEET DATE

- The GasUnie 1MW project was opened by the King of Holland with Roger Putnam in attendance as chairman of ITM Power Plc.
- Secured £55m of funding, subject to general meeting, in September 2019.
- New factory premises identified and heads of terms agreed, detailed space planning underway.
- Agreement for lease signed in July 2019, and the lease is expected to be signed in Q4 of this calendar year.
- Won BEIS competition to demonstrate delivery of bulk, low-cost and zero carbon hydrogen through gigawatt scale PEM electrolysis in partnership with Orsted
- ITM Power Plc have reached a commercial agreement to repurpose a customer product for use in the UK. This has led to the repayment of some of the contract value to the customer, which will be offset by reconditioning and redeployment of the unit in the UK.

OUTLOOK

With markets growing rapidly, and air quality continuing to be a major concern for governments throughout 2018/19, 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, with the average quote size above £7m (September 2017 funding round: £3.5m), often including ancillary hydrogen energy systems and after sales support contracts. ITM Power Plc are increasingly being selective to target enquiries where the Group's product portfolio offer the greatest value to customers in line with core objectives.

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

OBJECTIVES

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

New territories: ITM Power Plc is committed to continuing expansion of its activities in Germany and is looking at further opportunities in other European markets. Meanwhile, with progress made on system sales in Australia focus will also be given to capitalising on the inroads made in this market and consolidating the Group's footing in the territory.

Product Scale up and cost optimisation: In order to meet demand, the need to build larger product at lower costs remains a key driver on the technology roadmap.

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 cash flow 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 which will be achieved through revenue growth, and margin cost control.

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 development and then project delivery remain key objectives for the Board.

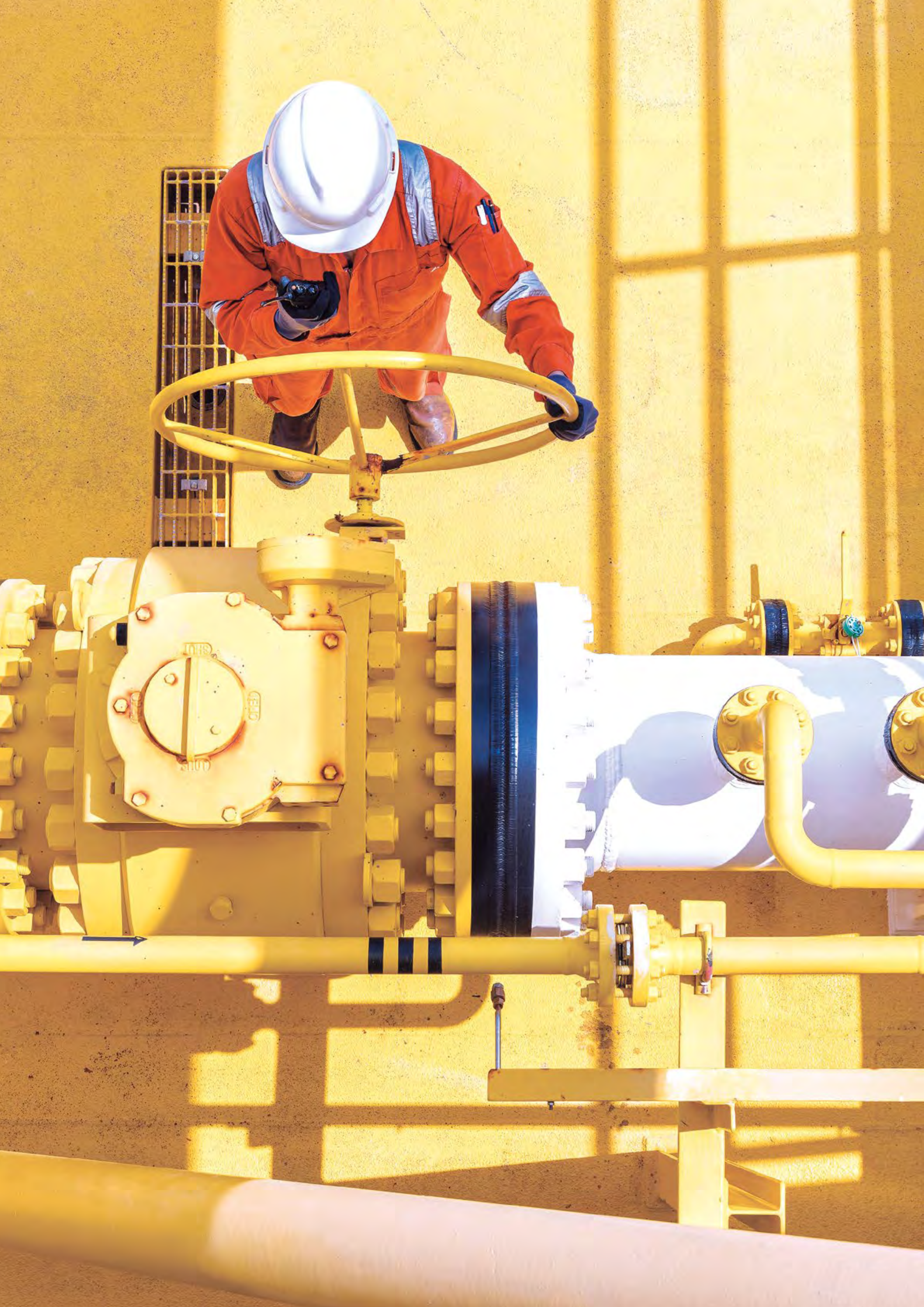
STRATEGIES FOR ACHIEVING OUR OBJECTIVES

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. The Group is now represented in Germany, the US (California), and Australia with subsidiaries and has sales presence in France and Benelux.

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. ITM Power Plc is now firmly focussed on standard containerised and modular large scale solutions. The current strategy is to use existing designs to form a suite of standard products that can meet many customer requirements, 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.

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.

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 145% increase in hydrogen sales, to 32 tonnes in the year.



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 have may not be realised, and ultimately the Group may have to re-evaluate its forecasts.
Assessment of change in risk year-on-year	The Group has continued to achieve growth in the revenue and total income metrics, and so the board consider this risk similar to the prior year, but declining overall. However, other competitors have achieved similar success.
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, with receipts often large and intermittent, both for sales contracts but particularly for grants.
Assessment of change in risk year-on-year	There remains a working capital requirement with every sale that will need to be handled appropriately as pipeline grows. As the Group has a reduced cash balance compared to April 2018, this risk is considered to be increased.
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.
Mitigation	For refuelling applications, the board considers this risk the same as the prior year; whilst alternative technologies exist, ITM Power Plc believes that hydrogen will be part of the mix for cars, and will be prioritised for larger vehicles.
	The Board considers the technological proposition of the Group and through both review and strong targeting considers the technology to be superior to that currently on the market. Through targeted improvements in technology development the Board seeks to retain that competitive advantage.
	For refuelling, the technology used in Battery Electric Vehicles is the same technology that is found in Fuel Cell Electric vehicles, with the exception of the energy storage device – which in the case of a FCEV is in the form of a hydrogen tank. As such the Board welcome the development of battery vehicles, whilst recognising the advantages of refuel time (and on heavier vehicles, 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 will consider the use of forward contracts and will monitor exchange rates more closely 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 possibility of 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 moderate to high throughout the year under review.
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 due to run beyond October 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, and has remained moderate to high throughout the years since. This may increase further as a new negotiating strategy is adopted by an incumbent new Prime Minster.
Mitigation	The Group have set up premises in Europe, and are considering holding stock in Germany and customer locations to improve support services. This risk continues to be monitored within the Group.

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.


Shell
Hydrogen
Shell
V-Power
Performance Fuels
ITM POWER
Energy Storage | Clean Fuel
GO TAKE ON THE DAY
FILL UP & GO

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.

The continued growth period and more detailed customer demands has seen the management systems grow and become structurally more sound this year; we recertified our accreditation to ISO 14001 2015 and 18001 2007 with our current accreditation body and continue with the UKAS accreditation program targeted for Q1 2020. We are also engaged with Lloyds Register to CE mark our MEP designed stack to Cat III level H, this is the highest level of classification for a CAT III product under PED requirements.

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 supply chain promotes and develops ITM Power Plc's ethics towards Health, Safety and Environmental factors within the global supply chain.

Last year we established a program for full recycling of all waste materials where possible, controlled with AATF's and environmentally aware recycling partners. We will be looking to define a charity partner from our local area or a global environmental awareness charity in the coming months to receive a monetary percentage of our recycled items value.

Disabled employees

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

Employee consultation

The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Group. This is achieved through formal and informal meetings, company-wide emails and an employee newsletter. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests whilst suggestion boxes encourage wider participation.

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 offer our staff benefits including a cycle purchase scheme as well as formal training relevant to the employee's role.

GOING CONCERN

The Directors have prepared a cash flow forecast for the period ending 31 October 2020. This forecast indicates that the Group and parent company would not expect to remain cash positive without the requirement for further fund raising based on delivering existing pipeline, for a period of at least 12 months from the date of approval of these financial statements.

The Group and parent company has commenced a fund raise and has to date received subscription agreements of £52m which indicates that this will be successful. The Group and parent company cannot issue the shares and formally raise the funds until the fund raise is approved at the forthcoming EGM on 22 October 2019. The Directors are very confident that approval will be received. The funds raised are expected to be sufficient to enable the Group and parent company to continue to trade in line with its forecasts. Until the fund raise is complete, this represents a material uncertainty.

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

The accounts have therefore been prepared on a going concern basis.

Approved by the Board and signed on its behalf by:

Dr. Simon Bourne
Director, ITM Power Plc
3 October 2019

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 2019.

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, Principal risks and uncertainties, and future prospects.

Research and development

During the year the Group incurred research and development related costs of £2.33m (2018: £1.79m).

Charitable and political contributions

During the year, the Group made no charitable or political donations (2018: £nil).

Dividends

The Directors do not recommend a dividend payment for the year (2018: £nil).

Capital structure

Details of the Group's capital structure are provided in notes 21 and 29 to the financial statements.

Branches outside of the UK

The Group has subsidiary companies, comprising marketing offices, in Germany, the United States and Australia.

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 Group's terms of payment and abide by those terms. At 30 April 2019, the trade creditors balance equated to -262 days (2018: -119 days), based on daily total costs excluding payroll, and including the pro forma payments made to suppliers up front. This is symptomatic of buying larger components and working with new suppliers in the period, as well as (in some cases) ITM electing to pay a larger balance up front in line with grant claim periods.

Future developments and post balance sheet events

ITM Power Plc have reached a commercial agreement to repurpose a customer product for use in the UK. This has led to the repayment of some of the contract value to the customer, which will be offset by reconditioning and redeployment of the unit in the UK.

New factory premises identified and heads of terms agreed, detailed space planning underway. Agreement for lease signed in July 2019, and the lease is expected to be signed in Q4 of this calendar year.

Auditor

Grant Thornton UK LLP have expressed their willingness to continue in office as auditor. In accordance with Section 489 (4) of the Companies Act 2006, a resolution to reappoint Grant Thornton UK LLP will be proposed at the Annual General Meeting.

Directors'

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

Sir R Bone
Dr G Cooley
Dr S Bourne
Prof R Putnam
Lord R Freeman
Mr R Pendlebury
Mr A Allen (appointed 21/05/18)
Dr R Smith
Mr M Green (appointed 16/09/19)

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 2019	Ordinary shares of 5p each at 30 April 2018 and as at 20 July 2018
	No.	No.
Sir R Bone	67,000	67,000
Dr S Bourne	326,830	326,830
Dr G Cooley	1,062,726	1,062,726
Lord R Freeman	5,217	5,000
Mr R Pendlebury	112,209	112,209
Prof R Putnam	27,129	27,129
Dr R Smith	80,886	80,886
Mr A Allen	–	–
Mr M Green	–	–

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.

Substantial shareholdings

On 30 April 2019 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%	36,317,162
P Hargreaves	8.8%	28,621,793
Schroder Investment Management	5.8%	18,925,000

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.

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 (as defined by Section 418 of the Companies Act 2006) of which the Company's auditor is unaware; and
- each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

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
Director, ITM Power Plc
3 October 2019

CORPORATE GOVERNANCE REPORT

Principles of corporate governance

ITM Power Plc ("ITM Power Plc" or the "Company") is committed to high standards of corporate governance. The application of a corporate governance code and a review of the corporate governance position of the Company is welcomed by the Board and is noted to be timely with reference to the position the Company finds itself in at the current point.

The Board considers that the most appropriate code for ITM Power Plc to adopt, based on its development, sector and size, would be The Quoted Companies Alliance Corporate Governance Code 2018 (the "QCA Code"). The QCA Code provides a flexible, principle based model that will allow the execution of the Group's corporate governance principles to evolve with the business.

ITM Power Plc has reviewed the ten principles of the QCA code and has set out below how these principles are applied, providing appropriate disclosures where necessary, specifically where the Group does not comply fully with the expectations of the QCA code and setting out an explanation of the reasons. We will provide annual updates on our compliance with the QCA Code as required.

Principle	How is the disclosure requirement met?
Principle 1: Establish a strategy and business model which promotes long-term value for shareholders	In the strategic report of the Annual Report
Principle 2: Seek to understand and meet shareholder needs and expectations	On the ITM Power Plc website*
Principle 3: Take into account wider stakeholder and social responsibilities and their implication for long-term success.	On the ITM Power Plc website*
Principle 4: Embed effective risk management, considering both opportunities and threats, throughout the organisation	On the ITM power website* and in this corporate governance report

Principle	How is the disclosure requirement met?
Principle 5: Maintaining the Board as a well-functioning, balanced team led by the Chair	On the ITM Power Plc website* and in this corporate governance report
Principle 6: Ensure that between the Directors have the necessary up to date experience, skills and capabilities	The Board is satisfied that the members of the Board possess an appropriate balance of skills, experience, personal qualities and capabilities as required by the QCA Code. The Company shall undertake a Board evaluation process in the quarter to December 2019. The Company envisages that this process will consider the composition of the Board, including the diversity and gender balance, and will explore ways in which it can evaluate how Directors keep their skillset up-to-date.
Principle 7: Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement	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 committees are currently effective and each Director continues to demonstrate commitment to their role. In light of the QCA Code guidelines, the Board is currently considering a more formal evaluation process to implement.
Principle 8: Promote a culture that is based on ethical values and behaviours	On the ITM Power Plc website* and in this corporate governance report
Principle 9: Maintain governance structures and processes that are fit for purpose and support good decision- making by the Board	On the ITM Power Plc website*
Principle 10: Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders	On the ITM Power Plc website* and in this corporate governance report

*where the table above refers to the ITM Power Plc website, it refers to the investors section, as follows;
www.itm-power.com/investors/corporate-governance

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	R	A	N	E	M&E
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		Not a member but can attend		✓	✓
Mr M Green	Non-executive Director					

R – Remuneration Committee | A – Audit Committee | N – Nominations Committee | E – Executive Committee | M&E – Manufacturing & Engineering Committee

Balance of the Board

ITM Power Plc has a separate Chairman and Chief Executive Officer, each having his own distinct 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.

Board independence

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.

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.

Board meetings

The Board scheduled 4 regular meetings in the year ended 30 April 2019 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**	**2**	**3**
Non-Executive Directors'			
Lord R Freeman	1	0	2
Prof R Putnam (Chairman)	5	2	3
Sir R Bone	4	2	3
Mr R Pendlebury	4	–	–
Mr M Green	N/A	N/A	N/A
Executive Directors'			
Dr S Bourne	5	–	–
Dr R Smith	5	–	–
Dr G Cooley	5	–	–
Mr A Allen	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.

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 Finance Director. 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 web site: **www.itm-power.com**.

The Company reports to shareholders twice a year. The report and accounts are available on the Company's website. 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. The Board attends the meeting and is available to answer questions from any 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.

Committees

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

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

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

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

The Executive Committee comprises Prof Roger Putnam as Chairman, Dr Graham Cooley (CEO), 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 & 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 are 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.

Remuneration Committee Report

The Remuneration Committee (the Committee) ensures remuneration arrangements are aligned to the execution of Group strategy and effective risk management for the medium to long term for the Group's Executive Directors.

Chaired by Sir Roger Bone, during the past year the Committee was exclusively composed of independent Non-Executive Directors, Professor Roger Putnam and Lord Roger Freeman. Where appropriate, The Chief Executive, Chief Financial Officer and Company Secretary are invited to attend meetings.

The Committee met twice in the year and in the past year each member was able to attend 100% of the meetings.

The Remuneration Report is split into the following three sections:

- a summary of the work done by the Committee during the year ending 30 April 2019;
- the Remuneration Policy Report (the Policy) which sets out the Group's policy on Directors' remuneration
- the Report on Remuneration which sets out the remuneration awarded to Directors in the year.

Annual Statement summarising the work of the Remuneration Committee

During the year the Committee's key activities included reviewing and agreeing Executive remuneration, including annual pay, achievement against performance targets for the 2017/18 bonuses, agreeing LTIP awards, and considering and selecting key performance targets and thresholds for 2018/19;

The policy of the remuneration committee is to provide a suitable remuneration package to attract, motivate and retain Executive Directors and wider Executive; and to ensure that all long-term incentive schemes for the Directors are consistent with the shareholders' interests.

No Director or senior manager is involved in any decisions as to their own remuneration.

Remuneration Policy for Executive Directors

Remuneration packages are reviewed annually on the basis of market comparisons with positions of similar responsibility and scope in comparable industries. The current policy for Executive Directors is to pay base salary with an annual performance-related bonus. The Group can also award share options to the Executive team and others to create a long-term incentive plan (LTIP). These shares are structured to align corporate and individual performance to the long-term success of the Group.

Short-term incentives

Base salary: Base salary is based on a number of factors, including market rates, benchmarking to peers, as well as the individual Director's experience, responsibilities and performance. Individual salaries are subject to annual review.

Performance related bonus: The purpose of the annual bonus is to incentivise the Executive Directors, members of the Executive team and senior management to deliver strategic and financial success, as well as long-term growth to the benefit of the Group and its shareholders. Measures and targets for the annual bonus for the Executive Directors and team are set annually by the Committee.

The annual bonus plan is awarded against achievement of both quantitative and qualitative corporate performance targets. For the financial year to 30 April 2019, the majority of the bonus will be based on delivery against key commercial, technical, operational and financial deliverables. The Committee reviews and adjusts the specific measures and targets each year where required to ensure that they reflect the strategic priorities for the Group in a given year.

For the year ended 30 April 2019 year the recommended maximum bonus available as a percentage of base salaries was as follows:

Maximum bonus %	2019	2018
Graham Cooley	100%	100%
Simon Bourne	60%	60%
Rachel Smith	40%	30%
Andy Allen	30%	N/A*

*Andy Allen was made Director in May 2018.

Pension and other benefits

All Executive Directors, along with all employees, are able to take part in the Group's pension scheme, where they receive a pension contribution from the Group of 5% of salary, with the exception of the CEO, who receives a fixed pension contribution of £27,994. This is compliant with legal requirements with both the employee and employer making contributions under automatic enrolment provisions. All employees also benefit from life assurance of four times salary.

Details of the salaries, bonus and pensions of Directors are set out in Note 8 of this annual report.

Long-term incentives (Share Options)

The purpose of the Share options is to provide a long-term performance and the creation of long term sustainable shareholder value, by delivering on the Group's agreed strategic objectives. The Remuneration Committee awarded share options to the Executive Directors, for the year ended April 2018, details of which are set out in note 8 of the accounts.

Executive Director service agreements

All Executive Directors have service agreements that terminate on twelve months' notice.

Report on Remuneration

The remuneration of each of the Directors for the year ended 30 April 2019 is set out in Note 8 of the accounts

This report was approved by the Remuneration Committee and authorised for issue on 3 October 2019 and was signed on its behalf by:

Sir Roger Bone
Remuneration Committee Chairman

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 2019, 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 Disclosures 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 2019 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.

Material uncertainty related to going concern

We draw attention to the going concern note within note 3 in the financial statements, which indicates that the Group and parent company would not expect to remain in a cash positive position without further fundraising. As stated in note 3, a fund raise has commenced and there are indications that this will be successful and the funds raised are expected to be sufficient to enable the Group and parent company to continue to trade in line with its forecasts. Until the fund raise is complete, this indicates that a material uncertainty exists that may cast significant doubt on the Group's and the parent company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) 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.

In addition to the matter described in the Material uncertainty related to going concern section, we have determined the matter described below to be the key audit matter to be communicated in our report.

Grant Thornton

Overview of our audit approach

- Overall materiality: £225,000, which represents 3% of the Group's revenue and other operating income – grant income at the planning stage of the audit;
- Key audit matters were identified as improper revenue recognition from contracts and grant income; and
- We performed full-scope audit procedures on the financial statements of the parent company, ITM Power Plc, and on the financial information of the UK trading component. We performed analytical procedures on the non-significant components in Germany, Australia and the United States.

Key Audit Matter – 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 assessing the first-time adoption of IFRS 15 'Revenue from Contracts with Customers', management have considered the appropriateness of revenue recognition for the following revenue streams:

- Product sales – standard and bespoke
- Maintenance contracts
- Consulting contracts
- Fuel sales or sales of spares

There is significant judgement in ascertaining the transfer of risks and rewards in respect of the above revenue streams with the exception of fuel sales or sales of spares which is not considered to be a significant risk.

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 significant 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 income may be incorrectly calculated due to the complexity of the underlying calculations.

Finally, there is a recoverability risk in respect of accrued income and amounts receivable under grant claims due to the significant values involved.

We therefore identified improper revenue recognition of revenue from contracts and grant income as a significant risk, which was one of the most significant assessed risks of material misstatement.

How the matter was addressed in the audit – Group

Our audit work included, but was not restricted to:

- Assessing whether the group's accounting policies for revenue from contracts are in accordance with the financial reporting framework, including IFRS 15, in the first year of transition to the new standard;
- Assessing whether the group's accounting policies for grant income are in accordance with International Accounting Standard (IAS) 20 'Accounting for Government Grants and Disclosure of Government Assistance';
- Testing whether revenue (predominantly from construction contracts) and grant income had been accounted for in accordance with these policies;
- Testing a sample of contracts and grants to original signed contractual agreements or terms;
- For a sample of construction contracts, recalculating revenue recognised over time using the output method of costs incurred to date as a percentage of forecast costs. We further assessed 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 income in respect of revenue from contracts, based on revenue recognised to date and progress billings;
- For a sample of 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;
- For a sample of amounts receivable under grant claims, we have agreed the receivable balance to evidence of the claim submission; 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 recognition, including revenue from contracts, and grant income are shown in note 3 to the financial statements and related disclosures are included in note 5. recognition, including revenue from contracts, and grant income are shown in note 3 to the financial statements and related disclosures are included in note 5.

Key observations

Based on our audit work addressing the risk of improper revenue recognition of revenue from contracts and grant income, we found that revenue from contracts and government grants are being accounted for, and recognition is in accordance with, the financial reporting framework, including IFRS 15 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 was determined as follows:

Materiality measure	Group	Parent company
Financial statements as a whole	£225,000, which represents approximately 3% of the Group's revenue and other operating income – grant income, at the planning stage of the audit. We determined that no revision to materiality was required in the light of the final results. This benchmark is considered the most appropriate because revenue and other operating income is a key indicator to the market of the Group's performance and results. Materiality for the current year is approximately £10,000 higher than the level we determined for the year ended 30 April 2018 to reflect the year on year increase in revenue and grant income.	£200,000, which represents approximately 0.75% 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 parent company reflect the most appropriate benchmark. Materiality for the current year is approximately £10,000 lower than the level we determined for the year ended 30 April 2018, reflecting the decrease in net assets of the parent company.
Performance materiality used to drive the extent of our testing	70% of financial statement materiality.	70% of financial statement materiality.
Specific materiality	We determined a lower level of specific materiality for certain areas such as Directors' remuneration and all other related party transactions.	We determined 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	£11,250 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£10,000 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:

- documenting the processes and controls covering all of the significant risks and evaluating the design and implementation of such controls;
- 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. Significance was determined as a percentage of the Group's total assets, revenues and profit before taxation;
- in order to address the risks identified during our planning procedures, we performed a full-scope audit of the financial statements of the parent company, and of the financial information of the UK trading component. The components that were subject to full-scope audit procedures made up 95 per cent of the Group's revenue and 85 per cent of the Group's loss before tax; and
- analytical procedures were performed on the non-significant group components in Germany, Australia 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 30, 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.

Use of our report

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.

Michael Redfern
Senior Statutory Auditor for and on behalf of Grant Thornton UK LLP Statutory Auditor, Chartered Accountants Sheffield
3 October 2019


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

20

19

FINANCIAL STATEMENTS

YEAR ENDED 30 APRIL 2019

CONSOLIDATED INCOME STATEMENT
YEAR ENDED 30 APRIL 2019

	Note	2019	2018
		£'000s	£'000s
Revenue	**5**	**4,589**	**3,283**
Direct costs		(6,182)	(3,438)
Grant income against direct costs	5	427	–
Gross loss		**(1,166)**	**(155)**
Operating costs			
Distribution expenses			
– Research and Development		(2,327)	(1,792)
– Prototype production and engineering		(6,202)	(4,144)
– Sales and marketing		(1,713)	(1,455)
		(10,242)	(7,391)
Administration expenses		(4,738)	(3,086)
Other operating income			
Grant income	5	6,799	4,138
Loss from operations before tax	**6**	**(9,347)**	**(6,494)**
Investment revenues	9	29	18
Loss before tax		**(9,318)**	**(6,476)**
Tax	10	(133)	360
Loss for the year		**(9,451)**	**(6,116)**
Other total comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation differences on foreign operations		40	267
Net other total comprehensive income		40	267
Total comprehensive loss for the year		**(9,411)**	**(5,849)**
Loss per share			
Basic and diluted	11	(2.9p)	(2.1p)

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 2019

	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 2017	**21**	**12,531**	**61,930**	**(1,973)**	**(196)**	**(59,222)**	**13,070**
Transactions with owners							
Issue of shares	21	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	21	–	–	–	267	–	267
Total comprehensive income		**–**	**–**	**–**	**267**	**(6,116)**	**(5,849)**
At 30 April 2018	**21**	**16,200**	**86,631**	**(1,973)**	**71**	**(65,338)**	**35,591**
Adjustment for IFRS15	5	–	–	–	–	(155)	(155)
Adjusted balance at 1 May 2018		**16,200**	**86,631**	**(1,973)**	**71**	**(65,493)**	**35,436**
Loss for the year		–	–	–	–	(9,451)	(9,451)
Other comprehensive income	21	–	–	–	40	–	40
Total comprehensive income		**–**	**–**	**–**	**40**	**(9,451)**	**(9,411)**
Credit to equity for share-based payment	–	–	–	–	–	184	184
At 30 April 2019	**21**	**16,200**	**86,631**	**(1,973)**	**111**	**(74,760)**	**26,209**

CONSOLIDATED BALANCE SHEET
YEAR ENDED 30 APRIL 2019

	Note	2019	2018
		£'000s	£'000s
Non-current assets			
Intangible assets	13	669	355
Property, plant and equipment	12	5,742	4,454
		6,411	**4,809**
Current assets			
Inventories	15	1,906	655
Trade and other receivables	17	31,903	18,500
Cash and cash equivalents	18	5,173	20,403
Total current assets		**38,982**	**39,558**
Current liabilities			
Trade and other payables	19	(17,579)	(7,928)
Provisions	20	(1,605)	(848)
Total current liabilities		**(19,184)**	**(8,776)**
Net current assets		**19,798**	**30,782**
Net assets		**26,209**	**35,591**
Equity			
Called-up share capital	21	16,200	16,200
Share premium account	21	86,631	86,631
Merger reserve	21	(1,973)	(1,973)
Foreign exchange reserve	21	111	71
Retained loss	21	(74,760)	(65,338)
Total equity		**26,209**	**35,591**

The financial statements of ITM Power Plc, registered number 05059407, were approved by the Board of Directors and authorised for issue on 3 October 2019. Signed on behalf of the Board of Directors:

Dr Simon Bourne
Director, ITM Power Plc

CONSOLIDATED CASH FLOW STATEMENT
YEAR ENDED 30 APRIL 2019

	Note	2019	2018
		£'000s	£'000s
Net cash used in operating activities	**22**	**(11,774)**	**(8,005)**
Investing activities			
Purchases of property, plant and equipment		(4,125)	(8,622)
Capital Grants received against purchases of property plant and equipment		1,073	7,130
Proceeds on disposal of property, plant and equipment		–	1
Payments for intangible assets		(436)	(76)
Net cash used in investing activities		**(3,488)**	**(1,567)**
Financing activities			
Issue of ordinary share capital		–	29,358
Costs associated with fund raise		–	(988)
Interest received		30	18
Interest paid		(1)	–
Net cash from financing activities		**29**	**28,388**
(Decrease)/Increase in cash and cash equivalents		**(15,233)**	**18,816**
Cash and cash equivalents at the beginning of year		**20,403**	**1,558**
Effect of foreign exchange rate changes		3	29
Cash and cash equivalents at the end of year		**5,173**	**20,403**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 30 APRIL 2019

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. Adoptions of new and revised Standards

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following 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 2018.

IFRS 15 Revenue from Contracts with Customers

Revenue Recognition under new financial standard IFRS 15 'Revenue from Contracts with Customers'

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. 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 previously included in IAS 11 Construction Contracts and IAS 18 Revenue. The Group has adopted the new standard using the modified retrospective method, with the cumulative effect of initial application recognised as an adjustment to the opening balance of retained earnings at 1 May 2018.

As ITM Power Plc's projects are complex, long-term construction 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. A detailed description of how our contracts are treated under the new rules can be found in Note 3 to the financial statements.

A comparison of this year's revenues under old and new rules can be seen below. To clarify, the income in 2019 under both standards would have been similar but the financial statements as prepared include income of £638,000 in both the 2018 and 2019 years.

	2019 Under old IAS 11 & 18	2018 Under new IFRS 15
	£'000s	**£'000s**
Revenue from construction contracts	3,750	3,746
Consulting services	74	67
Maintenance services	49	66
Fuel Sales	373	373
Other	337	337
Revenue in the Consolidated Income Statement	**4,583**	**4,589**

The potential impact has been limited in the current year due to the Group being in a phase of developing technology and markets, where many of our contracts continue to be "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 performance 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.

IFRS 9 Financial Instruments

IFRS 9 'Financial Instruments' replaced IAS 39 'Financial Instruments: recognition and measurement'. It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an 'expected credit loss' model for impairment of financial assets. When adopting IFRS 9, the Group has applied transition relief and opted not to restate prior periods.

A historical review of invoices raised in the past five years and credit notes raised against them revealed that the Company have a history of approximately 1% of trade debtors resulting in credit notes. Applied to the current year trade debtors and accrued sales income balances, this has equated to a credit risk and impairment of £77k. We are also closely monitoring the potential impact of Brexit and have taken all possible steps to ensure the continuity of funding for our grant projects at this time. Whilst we envisage some further delays in payments, we do not at the moment have any concerns over their eventual receipt.

IFRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments)

Management have prepared these financial statements in line with the standard but do not consider that there is any material effect.

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 16 Leases

The new accounting standard is effective for years commencing on or after 1 January 2019. Under the new standard, the distinction between operating and finance leases is removed and most leases will be brought onto the statement of financial position, as both a right-of-use asset and a corresponding lease liability. The Group has opted not to early adopt IFRS 16 and prior year financial information will not be restated, resulting in no impact on retained earnings on transition.

We intend to use the modified retrospective transitional approach meaning that the right of use asset and the lease liability are brought on to the balance sheet at the discounted amount applicable at the transition date.

Operating leases that were active at 30 April 2019 have been incorporated into the potential impact analysis presented below. Changes that occur in the year may impact the actual figures that will appear in the 2020 accounts following transition to IFRS 16. We plan to make use of the available exemptions and expedients where applicable and, therefore, have applied the low value item exemption for leased assets with a value of less than £4,000 and the short remaining term expedient for those leases with less than 12 months left.

A key judgement associated with the adoption of this standard is the identification of the discount rate to be used to calculate the present value of the future lease payments on which the reported lease liability and right-of-use asset are based. For any new lease, an interest rate might be sought at the point of entering the lease. However, with no such information available for our existing leases, we have used notional discount rates of 2.5% (properties) and 5% (non-property) to show users of the financial statements the potential impact of the transition to IFRS16.

The potential impact of transition to IFRS 16 is:

	£'000s
Lease assets & corresponding liabilities at 1 May 2019	
Property	754
Vans	44
Total lease asset/liability	**798**

The right-of-use asset will be depreciated in accordance with IAS 16 "Property, Plant and Equipment" and in line with the Group's existing policies (straight-line over the lease term), whilst the liability will be increased for the accumulation of interest and reduced by lease payments. There will be no impact on cash flow overall although classifications within the statement of cash flows will change to reflect the interest element of each lease payment. This reclassification will also impact EBITDA.

In the 2019-20 period, it is estimated that previously operating lease payments would have led to an operating cost of £261k, which will instead reduce the liability on the balance sheet. Through the income statement, there will now be annual depreciation of the leased assets £238k plus an annual interest expense of £17k. Thus Group losses would reduce by £5k whilst EBITDA will have improved by £260k.

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 for the period ending 31 October 2020. This forecast indicates that the Group and parent company would not expect to remain cash positive without the requirement for further fund raising based on delivering existing pipeline, for a period of at least 12 months from the date of approval of these financial statements.

The Group and parent company has commenced a fund raise and has to date received subscription agreements of £52m which indicates that this will be successful. The Group and parent company cannot issue the shares and formally raise the funds until the fund raise is approved at the forthcoming EGM on 22 October 2019. The Directors are very confident that approval will be received. The funds raised are expected to be sufficient to enable the Group and parent company to continue to trade in line with its forecasts. Until the fund raise is complete, this represents a material uncertainty.

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

The accounts have therefore been prepared on a going concern basis.

Revenue recognition

Product sales

ITM Power Plc undertakes product sales that involve the manufacture, installation and commissioning of an electrolyser system over a period of several months. Such systems are usually quoted to a customer as a single value but may be split into agreed payment milestones in order to facilitate cash flow. Any ancillary requests will be treated as separate performance obligations if costs can be separately identified and the revenue value is also quoted separately, but the main objective, to provide a working system for use in a specific application, is viewed as a single performance obligation.

Under IFRS15, a performance obligation is satisfied over time if one of the following criteria is met:

a. the customer simultaneously receives and consumes the benefits provided by the seller's performance as the seller performs;

b. the seller's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

c. 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.

Revenue from product sales, which do not meet the first two criteria, will therefore be treated differently depending on whether the product is standard or bespoke in reference to point (c) above:

Revenue from standard products will be recognised only when the performance obligation has been fulfilled and ownership of the goods has transferred i.e. at site acceptance, which is the official handover of control of the goods 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 up to the point of handover. In the meantime, 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 so long as they are considered recoverable and only transferred to cost of sales once the revenue applicable to those costs can be recognised in the accounts. Should costs exceed anticipated revenues, a provision will be recognised and the surplus costs expensed with immediate effect;

Bespoke contracts by their nature do not create an asset with an alternative use to the seller; some have traceability requirements attached to them that would prevent them being diverted during production whilst others are simply bespoke to the customer's requirements and therefore would not meet the needs of, or be easily converted for use on, another project. There is also an enforceable right to payment for performance completed to date if the contract is terminated by the customer for reasons other than ITM Power Plc's failure to perform as promised. Revenues for bespoke contracts will therefore be recognised over time according to how much of the performance obligation has been satisfied. This is measured using the input method, comparing the extent of inputs towards satisfying the performance obligation with the expected total inputs required. Any changes in expectation are reflected in the total inputs figure as they become known. The progress percentage obtained is then applied to the revenue associated with that performance obligation. Management view this as a much more reliable measure of progress towards completion of the performance obligation than the output method as, despite contracting with milestone payments, these are not reliable measures of progress or value to the customer but instead have been designed to aid cash flow.

ITM Power Plc supply units with a standard 12-month warranty, which covers the equipment against any fault due to manufacturing defects. Any repairs made under this warranty will be completed free of charge. Where possible, diagnosis will be performed via remote connection in order to minimise the time and expense associated with travel to the site. The warranty period starts from the date Site Acceptance Testing is deemed to occur.

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.

Parts that are replaced due to being at their end of life are not included. Expected lifetimes of individual parts will be provided in a detailed maintenance plan during the design phase of the project. Out-of-warranty repairs and part replacements will be charged to the customer. It should be noted that a maintenance contract is mandatory for the duration of the warranty period and will form a separate performance obligation. After the warranty period, it is recommended that a maintenance package is continued (see maintenance contracts below).

ITM Power Plc's standard contract wording aims to limit the right of rejection once a customer has accepted the unit under either factory acceptance testing (for ex-works) or site acceptance testing. Up until that time, contractual obligations would protect our right to recognise revenues for work performed to date. Remedy for any dissatisfaction would instead exist in a separate claim for damages.

Maintenance contracts

These usually involve two annual visits therefore revenue is recognised in two instalments against the costs of those visits, i.e. when each performance obligation is met. However, where remote support forms part of the contract, revenue for this performance obligation will be recognised over time as the customer simultaneously receives and consumes the benefits of such a service, and criteria (a) is met as referred to above.

Consulting contracts

Where the IFRS 15 criteria for recognition over time are met (in this case that the customer simultaneously receives and consumes the benefits of the service), revenue will be recognised over time. For those contracts where these criteria are not met, revenue will be recognised on completion of the contract.

Fuel sales or sales of scrap/spares

Sales are recognised immediately upon completion of the performance obligation, being the transfer of ownership of the goods.

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 pre-finance 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. Such balances are reviewed for recoverability, ensuring that the costs incurred met the conditions of the grant for recognition of grant income and such recognition of income does not exceed the maximum value of the award. 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 direct costs" 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 below the line in tax.

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

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

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

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

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

Property, plant and equipment

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

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	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 assets

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. Subsequent measurement of financial assets depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- **Amortised cost**
  Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

- **Fair value through other comprehensive income (FVOCI)**
  Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. The entity does not hold any such financial assets.

- **Fair value through profit or loss**
  Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in the profit or loss statement within other gains/(losses) in the period in which it arises. Interest received from these financial assets is included in investment income.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established. Changes in the fair value of financial assets at fair value through profit or loss are recognised in other gain/(losses) in the statement of profit or loss as applicable.

Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables only, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

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

Financial liabilities are obligations to pay cash or other financial assets and are recognised when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities are recorded initially at fair value, net of direct issue costs, and are subsequently recorded at amortised cost using the effective interest method, with interest-related charges recognised as an expense in finance cost in the income statement. Finance charges are charged to the income statement on an accruals basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise. A financial liability is derecognised only when the obligation is extinguished, that is, when the obligation is discharged or cancelled or expires.

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.

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.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

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.

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 going concern 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. If it becomes known that additional work is required, then the provision is immediately extended to cover it.

Dilapidations provision

A provision was recognised in the prior year for stripping out/ reinstating our current premises for handover to the landlords, given our intention to move. The amount was calculated by a value per square metre, which has been adjusted in the year based on assessment of the first premises that we are due to leave. These provisions have since been viewed as best practice and other similar provisions will be put in place from the start of other new property leases.

Recoverability of debtors and Debtor impairment

In applying the revised IFRS 9 standard, Management have applied a 1% provision against trade receivables and accrued sales income based on historical trends. They have largely ignored grant debtors and accrued grant income balances in the application of this percentage provision as, so long as we continue to work within the parameters of the grants, the value of the grant award is unchanged and even with Brexit uncertainty, it is the timing of those receipts rather than the ability to receive them that remains in question.

In 2014, ITM Power Plc commissioned and paid towards the construction of refuelling equipment. Following recent talks Management have reduced the debtor down to the amount that is deemed recoverable. This has resulted in an impairment expense of £591k in the current period.

Key sources of estimation uncertainty

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 current 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 third 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 was 23.1 (2018: 24.4) per cent.

This cash generating unit's main customers will be hydrogen fleet owners, including taxi companies and people who will use the cars frequently ("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 no impairment was provided.

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 £616k (2018: £350k). The development projects currently capitalised here and being amortised, relate to technologies being used in our current sales. Further capitalisations during 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.

Revenue recognition over time

Management have assessed their sales contracts in accordance with the 5-step principle laid out by IFRS 15 and have come to the conclusion that certain contracts can be recognised over time due to their status as first-time or custom builds. In accounting for their revenue under this method, management must take a view of the total costs required for each performance obligation together with the actual spend already recognised in cost of sales to be able to recognise an equivalent proportion of the revenue for that performance obligation. As this relates to expense not yet incurred, the projections are largely based on budgeted costs or quotes for costs and anticipated labour hours to complete a task.

Some contracts may be largely recognised over time but contain separate performance obligations that would take place at a point in time e.g. training of customer operatives in the use of the equipment. Management must decide, therefore, how the contracts break down in terms of performance obligations and the manner in which their associated revenue is accounted.

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:

	2019	2018
	£'000s	£'000s
Continuing operations		
Revenue from product sales recognised over time	2,920	–
Revenue from product sales recognised at a point in time	826	–
Total product sales	**3,746**	**2,903**
Consulting contracts	67	141
Maintenance contracts	66	48
Fuel sales	373	161
Other (e.g. scrap sales)	337	30
Revenue in the consolidated income statement	**4,589**	**3,283**
Grant income (government grants)	6,799	4,138
Grant income shown against cost of sales	427	–
	11,815	**7,421**

N.B. In transitioning to IFRS15 under the modified retrospective method, shareholders should be aware that prior year revenues have not been adjusted on the income statement. Instead an adjustment to retained earnings has been effected and revenues only re-recognised in the current period wherever subsequent performance obligations have been met.

The adjustment has an impact of £155,000 on brought forward reserves:

	30 April 2018 under IAS 11	IFRS 15 adjustment	30 April 2018 under IFRS 15
Revenue	3,283	(638)	2,645
Cost of sales (including grant income)	(3,438)	493	(2,945)
Total effect on P&L	(155)	(145)	(300)
Stock (adjustment to WIP)	655	–	655
Debtors (adjustment to accrued income)	18,500	–	18,500
Creditors (adjustment to deferred income)	(7,928)	(10)	(7,938)
Total effect on net current assets	11,227	(10)	11,217
Retained earnings (adjustment to the brought forward)	**(65,338)**	**(155)**	**(65,493)**

At 30 April 2019, the aggregate amount of the transaction price allocated to remaining performance obligations of continuing build contracts was £5,886k. The Group expects to recognise 81% of the remaining performance obligations within one year.

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.

Management have previously identified three target markets for our products (Power-to-Gas, Refuelling, and Industrial). 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:

	2019	2018
	£'000s	£'000s
Power-to-Gas *(of which product sales recognised over time £882,000)*	1,084	1,639
Refuelling *(of which product sales recognised over time £1,696,000)*	2,365	753
Industrial *(of which product sales recognised over time £342,000)*	1,052	858
Other	88	33
Revenue in the Consolidated Income Statement	**4,589**	**3,283**

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 Australia. All non-current assets were domiciled in the United Kingdom, with the exception of one hydrogen refuelling station in California (net book value £69k, 2018: £133k). Revenues have been generated as follows:

	2019 £'000s	2018 £'000s
United Kingdom	1,338	763
Germany *(of which product sales recognised over time £333,000)*	391	1,387
France *(of which product sales recognised over time £1,696,000)*	1,739	39
Netherlands *(of which product sales recognised over time £891,000)*	891	452
Rest of Europe	–	503
North America	230	139
Revenue in the Consolidated Income Statement	**4,589**	**3,283**

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

		2019 £'000s	2018 £'000s
Customer A	Industrial	Nil	442
Customer B	Power-to-Gas	<10%	864
Customer C	Power-to-Gas	891	452
Customer D	Refuelling	<10%	475
Customer E	Industrial	635	405
Customer F	Refuelling	1,696	<10%

Except where extended warranties have been purchased and treated as separate performance obligations for the purpose of IFRS 15 Revenue from Customers, warranty commitments are covered under IAS 37 Provisions and are therefore accounted under note 20.

6. Loss for the year

	2019	2018
	£'000s	£'000s
Loss for the year has been arrived at after charging/(crediting)		
Net foreign exchange losses	148	198
Shared-based payment charge (Note 26)	184	–
Depreciation of property, plant and equipment	1,773	1,611
Reversal of impairment of assets	(24)	(100)
Impairment of non-current assets	–	43
Amortisation of intangibles	124	101
Research and non-capitalised Development costs	2,327	1,792
Impairment against prepayments	591	–
Bad and doubtful debt expense	424	–
Loss on disposal of property, plant and equipment	–	2
Rentals under operating leases:		
– Land and buildings	227	220
– Other equipment	292	140
Government grants receivable	(7,226)	(4,138)
Staff costs (see Note 8)	6,825	5,122
Cost of inventories recognised as an expense	341	209

7. Auditors remuneration

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

	2019	2018
	£'000s	£'000s
Fees payable to the Company's auditor for:		
– The audit of the Company's annual accounts	40	30
– The audit of the Company's subsidiaries pursuant to legislation	15	15
Total audit fees	**55**	**45**
Other services pursuant to legislation		
– Interim agreed upon procedures/review work (audit related services)	13	8
Total non-audit fees	**13**	**8**

8. Information regarding Directors and employees

2018 – 19	Fees/Basic salary	Benefits in kind	Annual bonuses	Total excluding pension	Pension contributions	2019 Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Executive Directors						
Dr S Bourne	170	–	85	255	14	269
Dr G Cooley	203	–	167	370	28	398
Dr R Smith	113	–	26	139	10	149
A Allen	94	–	–	94	13	107
Non-executive Directors						
Prof R Putnam	160	–	–	160	–	160
Lord Freeman	38	–	–	38	–	38
B Pendlebury	–	–	–	–	–	–
R Bone	38	–	–	38	–	38
Aggregate directors emoluments	**816**	**–**	**278**	**1,094**	**65**	**1,159**
Employers NI						143
Total payroll costs for Directors and Key Management Personnel						**1,302**

2017 – 18	Fees/Basic salary	Benefits in kind	Annual bonuses	Total excluding pension	Pension contributions	2018 Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Executive Directors						
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 Directors						
P Hargreaves	23	–	–	23	–	23
Prof R Putnam	160	–	–	160	–	160
Lord Freeman	35	–	–	35	–	35
B Pendlebury	–	–	–	–	–	–
R Bone	35	–	–	35	–	35
Aggregate 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**

Four directors were members of money purchase schemes during the year (2018: 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	Granted	30 April 2019 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	EMI	100,000	01/08/2012	100,000	50p	06/08/2015	31/07/2022
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	EMI	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	08/08/2021
Dr R Smith	EMI	100,000	29/04/2010	100,000	24p	29/04/2013	29/04/2020

The following LTIP awards were granted in the year for directors:

Name of Director	Scheme	Number	Granted	Exercise price £'000	Date from which exercisable	Expiry date
Dr G Cooley	Unapproved	1,000,000	14/08/2018	29p	14/08/2019	13/08/2028
Dr G Cooley	Unapproved	1,000,000	14/08/2018	29p	14/08/2020	13/08/2028
Dr G Cooley	Unapproved	1,000,000	14/08/2018	29p	14/08/2021	13/08/2028
Dr S Bourne	Unapproved	583,333	14/08/2018	29p	14/08/2019	13/08/2028
Dr S Bourne	Unapproved	583,333	14/08/2018	29p	14/08/2020	13/08/2028
Dr S Bourne	Unapproved	583,334	14/08/2018	29p	14/08/2021	13/08/2028
Dr R Smith	Unapproved	416,666	14/08/2018	29p	14/08/2019	13/08/2028
Dr R Smith	Unapproved	416,667	14/08/2018	29p	14/08/2020	13/08/2028
Dr R Smith	Unapproved	416,667	14/08/2018	29p	14/08/2021	13/08/2028
A Allen	Unapproved	333,333	14/08/2018	29p	14/08/2019	13/08/2028
A Allen	Unapproved	333,333	14/08/2018	29p	14/08/2020	13/08/2028
A Allen	Unapproved	333,334	14/08/2018	29p	14/08/2021	13/08/2028

	2019	2018
Remuneration of the highest paid Director	**£'000s**	**£'000s**
Aggregate emoluments	370	381
Money purchase pension contributions	28	28
	398	**409**

	2019	2018
Monthly average Number of persons employed	**Number**	**Number**
Research and development	24	17
Production and engineering	86	53
Sales and marketing	12	9
Administration	17	13
	139	**92**

	2019	2018
Staff costs during the year (including directors)	**£'000s**	**£'000s**
Wages and salaries	5,822	4,362
Social security costs	537	478
Other pension costs	466	282
	6,825	**5,122**

As at 30 April 2019 pension contributions of £44k (2018 – £31k) 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. Investment income

Investment income shown on the income statement relates to interest received on our cash deposits in the bank:

	2019 £'000	2018 £'000
Interest received	30	18
Interest paid	(1)	–
	29	**18**

10. Tax

	2019 £'000s	2018 £'000s
Current taxation		
Tax credit in the year (relating to research and development)	59	149
Tax (charge)/credit relating to prior years	(192)	211
	(133)	**360**

Corporation tax is calculated at 19% (2018 – 19%). 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:

	2019	2018
	£'000s	£'000s
Loss before tax		
Loss before tax	(9,498)	(6,476)
Tax on loss at 19% (2018: 19.9%)	1,805	1,230
Factors affecting (charge)/credit for the year		
Expenses not deductible for tax purposes	(50)	(11)
Fixed asset differences	(342)	(299)
Research and development enhanced relief	59	149
Adjustments in respect of prior years	(192)	211
Unrelieved tax losses carried forward	(1,378)	(920)
Tax (charge)/credit for the year	**(133)**	**360**

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 £10.01m (2018: £5.42m) 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 £8.57m (2018: £4.24m) in respect of accumulated tax losses and £1.44m (2018: £1.18m) 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 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 reverse 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 2019.

11. Loss per share

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

	2019 £'000	2018 £'000
Loss for the purposes of basic and diluted loss per share being net loss attributable to owners of the Company	(9,451)	(6,116)
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	324,009,397	287,311,287
Loss per Share	2.9p	2.1p

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.

12. Property, plant and equipment

	Production plant & equipment	Laboratory & test equipment	Computer Equipment	Office furniture & fittings	Leasehold improvements	Assets in the course of construction	Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Cost							
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 1 May 2018	4,649	1,734	701	206	3,429	561	11,280
Additions	4	169	90	13	160	3,665	4,101
Grant received	–	–	–	–	–	(1,073)	(1,073)
Transfers	120	–	–	–	–	(120)	–
Disposals	–	–	–	(12)	(10)	–	(22)
Foreign Exchange	26	–	(2)	–	–	–	24
At 30 April 2019	**4,799**	**1,903**	**789**	**207**	**3,579**	**3,033**	**14,310**

	Production plant & equipment	Laboratory & test equipment	Computer Equipment	Office furniture & fittings	Leasehold improvements	Assets in the course of construction	Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Depreciation							
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/ (impairment reversal)	–	–	–	–	43	(100)	(57)
Foreign exchange	(21)	–	–	–	–	–	(21)
At 1 May 2018	2,470	1,357	558	199	2,242	–	6,826
Disposals	–	–	–	(12)	(10)	–	(22)
Charge for the year	993	195	91	4	490	–	1,773
Impairment reversal	–	–	–	–	(24)	–	(24)
Foreign Exchange	15	–	–	–	–	–	15
At 30 April 2019	**3,478**	**1,552**	**649**	**191**	**2,698**	**–**	**8,568**
Net book value							
At 30 April 2019	**1,321**	**351**	**140**	**16**	**881**	**3,033**	**5,742**
At 30 April 2018	**2,179**	**377**	**143**	**7**	**1,187**	**561**	**4,454**

13. Intangible assets

	Software £'000s	Development costs £'000s	Total £'000s
Cost			
At 1 May 2017	–	403	403
Additions	6	70	76
At 30 April 2018	6	473	479
Additions	53	383	436
At 30 April 2019	**59**	**856**	**915**
Amortisation			
At 1 May 2017	–	23	23
Charge for the year	1	100	101
At 30 April 2018	1	123	124
Charge for the year	5	117	122
At 30 April 2019	**6**	**240**	**246**
Carrying amount			
At 30 April 2019	53	616	669
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, unit designs and processes. They are amortised over four years.

14. Subsidaries

A list of investments in subsidiaries, including the name, country of incorporation and proportion of ownership interest is given in Note 6 to the Company's separate financial statements.

15. Inventories

	2019	2018
	£'000s	**£'000s**
Raw materials	1,796	299
Work in progress	110	356
	1,906	**655**

Inventories have been stated after a provision for impairment of £341k (2018: £209k).

16. Contract balances and performance obligations

	2019	2018
	£'000s	£'000s
Contract revenue recognised through release from deferred income	540	595
Release from transitional adjustment	638	–
	1,178	**595**

In the current year we have elected to transition to the new standard IFRS 15 Revenue from Customers using the modified retrospective method. This means that retained earnings have been adjusted by an amount that would have increased deferred income brought forward into the current financial year. Under the method, we do not restate balance sheet figures, however, for clarity the subsequent release of this deferred income in the year has been shown separately.

Contracts with customers in progress at the balance sheet date:

	2019	2018
	£'000s	£'000s
Amounts due from contract customers included in trade and other receivables	35	1,343
Contract assets (accrued income)	1,471	370
Contract liabilities (deferred income)	(2,457)	(764)
Balance sheet position of sales contracts	(951)	949

The contract position will naturally change according to the number or size of contracts in progress at the year-end as well as the status of payment milestones towards those contracts. The Group will continue to structure payment milestones in order to cover the up-front costs of materials for cash flow purposes. The variance between these and the performance obligations for revenue recognition under IFRS 15, typically acceptance of the product by the customer for all standard products, will cause increasing values to remain in deferred income for longer.

17. Trade and other receivables

	2019	2018
	£'000s	£'000s
Amount receivable for the sale of goods	136	17
Amounts due from construction contract customers (Note 16)	35	1,343
Amounts receivable under grant claims	7,128	3,178
Impairment for credit risk	(77)	–
Restricted cash balances	1,692	1,572
Other receivables	366	882
Corporation tax	154	360
Prepayments	14,937	6,227
Accrued Sales income	1,471	370
Accrued Grant income	6,061	4,551
	31,903	**18,500**

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

Their ageing is analysed as follows:

	2019	2018
	£'000s	£'000s
Less than 30 days	2,001	12
31 – 60 days	2,940	1,675
61 – 90 days	1	2
91 – 120 days	603	10
Greater than 120 days	752	2,839
	6,297	**4,538**

There were receivables totalling £1.36m (2018: £2.53m) that were overdue but considered fully recoverable, of this £1.32m relates to grant claims.

	2019	2018
	£'000s	£'000s
Movement in the allowance for doubtful debts		
Balance at the beginning of the year	–	(166)
Impairment losses recognised	(347)	(27)
IFRS 9 credit risk provision	77	–
Amounts written off during the year as uncollectible	347	27
Released in period	–	166
Balance at 30 April 2019	**77**	**–**

The movement on the doubtful debts provision in the year related to amounts unpaid and subsequently settled by agreement as described in post balance sheet events and also by the new credit risk provision introduced by IFRS 9 to recognise a potential loss on 1% of the Company's trade debtor and accrued sales income balances.

18. Cash and Cash equivalents

	2019	2018
	£'000s	£'000s
Cash and cash equivalents	5,173	20,403

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.

19. Trade and other payables

	2019	2018
	£'000s	£'000s
Trade payables	3,440	1,403
Other taxation and social security	240	151
Other creditors	21	16
Accruals	2,011	1,475
Deferred Sales income	2,457	764
Deferred Grant income	3,017	2,396
Grant income received against pro-forma	6,393	1,723
	17,579	**7,928**

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

20. Provisions

	Leasehold Property Provision	Warranty	Total Provisions
	£'000s	£'000s	£'000s
Balance at 1 May 2017	–	(9)	(9)
Use of the provision	–	92	92
Additional provision in year	(594)	(337)	(931)
Balance at 30 April 2018	(594)	(254)	(848)
Provision created in the year	(283)	(879)	(1,162)
Use of the provision	–	255	255
Release in the year	127	23	150
Balance at 30 April 2019	**(750)**	**(855)**	**(1,605)**

The leasehold property provision represents management's best estimate for the restoration work that may be required to return our office and laboratory buildings to the landlords at the end of their lease term. The provision was increased for the addition of a new leasehold property in the year but has also been adjusted downward following assessment of the first property that is due to be vacated.

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.

21. Called up share capital and reserves

	2019	2018
	£'000s	£'000s
Called up, allotted and fully paid: 324,009,397 (2018: 324,009,397) ordinary shares of 5p each	16,200	16,200
Authorised Share capital: 324,009,397 (2018: 324,009,397) ordinary shares of 5p each	16,200	16,200

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

The share premium account has been unaffected this year but arose on previous occasions when shares were sold.

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.

22. Notes to the cash flow statement

	2019	2018
	£'000s	**£'000s**
Loss from operations	(9,347)	(6,494)
IFRS 15 adjustment	(145)	–
Adjustments for property, plant and equipment:		
Depreciation	1,773	1,611
Share based payment	184	–
Loss on disposal	–	2
Impairment	–	43
Impairment reversal	(24)	(100)
Amortisation	122	101
Warranty provision in profit or loss	–	245
Operating cash flows before movements in working capital	**(7,437)**	**(4,592)**
(Increase)/Decrease in inventories	(1,251)	105
(Increase) in receivables	(13,571)	(5,808)
Increase in payables	9,651	1,262
Increase in provisions	757	839
Cash used in operations	**(11,852)**	**(8,194)**
Income taxes received	77	189
Net cash used in operating activities	**(11,774)**	**(8,005)**

23. Capital commitments

The Group had capital commitments of £1.2m at the Balance Sheet date (2018: none).

24. Operating lease commitments

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

	Land and buildings		Commercial vehicles		Total lease commitments	
	2019	2018	2019	2018	2019	2018
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Within one year	309	212	31	14	340	226
Between two and five years	368	361	38	25	406	386

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 2019, the Group entered into operating leases for a further four vans (2018: 4 vans). These commercial vehicles are being leased for three years.

25. 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.

26. 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 Group 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.

	2019		2018	
	Number	**Weighted average exercise price**	**Number**	**Weighted average exercise price**
Outstanding at the beginning of the year	5,406,745	31p	5,456,747	32p
Granted during the year	7,000,000	29p	–	–
Exercised during the year	–	–	–	–
Expired during the year	(90,000)	24p	(50,002)	44p
Outstanding at the end of the year	**12,316,745**	**31p**	**5,406,745**	**31p**
Exercisable at the end of the year	**5,390,339**	**31p**	**5,406,745**	**31p**

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 2019 had a weighted average exercise price of 65p and a weighted average remaining contractual life of 5 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:

	2019	2018
	£'000s	£'000s
Weighted averages		
Share price	31p	31p
Exercise price	31p	31p
Expected volatility	25%	45%
Expected life	2 years	2 years
Risk-free rate	4.5%	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.

An analysis of options issued is shown below:

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
2018	0.29	2021	7,000,000

The Group has recognised share-based payment expense in the income statement for the year of £183,624 (2018: £Nil).

27. Financial instruments

Capital risk management

The current capital risk management objective is to ensure that the existing pipeline continues to be delivered in line with cash management expectations.

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. However, the Group have less cash reserves than in the prior year, which means tighter management is required.

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.

	2019	2018
Categories of financial instruments	**£'000s**	**£'000s**
Financial assets – amortised cost		
Cash and cash equivalents	5,173	20,403
Amounts due from build contracts	35	1,343
Amounts receivable for other goods and services	136	17
Amounts receivable under grant claims	7,128	3,178
Restricted cash balances	1,692	1,572
Other receivables	366	882
Accrued Sales income	1,471	370
Accrued Grant income	6,061	4,551
	22,062	**32,316**

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.

	2019	2018
Categories of financial instruments	**£'000s**	**£'000s**
Financial liabilities – amortised cost		
Trade payables	3,440	1,403
Other creditors	21	16
Accruals	2,011	1,475
	5,472	**2,894**

Fair value through profit and loss

As at 30 April 2019, the Group had no financial instruments that were measured at fair value through profit or loss (2018: none). The carrying value of all financial instruments at 30 April 2019 and 30 April 2018 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 17.

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. These exposures were as follows:

		Liabilities		Assets
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
EUR (i)	97	160	7,413	2,363
USD (ii)	5	8	977	610
SEK (iii)	–	–	300	38
	102	**168**	**8,690**	**3,011**

(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.

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

Foreign currency sensitivity analysis

The table below assumes an increase/decrease of 10% change of the Euro to Pound Sterling exchange, the US Dollar to Pound Sterling exchange rate and the Australian 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 imapct		AUD impact	
	2019	2018	2019	2018	2019	2018
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Profit or loss	82	20	63	42	15	–

If interest rates had been 1% higher/lower and all other variables had remained constant, loss for the year would have decreased/increased by £160,000 (2018: £62,000).

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.

28. 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 arms' length.

In the year, sales of hydrogen fuel to JCB Research (a corporate shareholder, represented on the Board by R Pendlebury) totalled £253 (2018: £520). The balance outstanding at the year-end was £59 (2018: £356), 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.

29. 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.

30. Events after the balance sheet date

There have been four events after the balance sheet date, as follows;

- ITM Power Trading Ltd has reached a commercial agreement to repurpose a customer product for use in the UK. This has led to the repayment of some of the contract value to the customer, which will be offset by reconditioning and redeployment of the unit in the UK.
- In 2014, ITM Power Plc commissioned and paid towards the construction of refuelling equipment. Following recent talks Management have reduced the debtor down to the amount that is deemed recoverable. This has resulted in an impairment expense of £591k in the current period.
- In October 2019, the Company has, subject to shareholder agreement, raised £52m in funding, of which £38m is from a cornerstone investment from a Linde Group company which will include the incorporation of a Joint Venture between the two companies.
- In June 2019, the Company signed an Agreement for Lease on the new manufacturing headquarters.

COMPANY STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 30 APRIL 2019

	Called-up share capital £'000	Share premium account £'000	Retained loss £'000	Total equity £'000
	£'000s	**£'000s**	**£'000s**	**£'000s**
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**
At 1 May 2018	16,201	86,631	(79,619)	23,213
Credit to equity for share-based payment	–	–	105	105
Loss for the year and comprehensive loss	–	–	(21,383)	(21,383)
At 30 April 2019	**16,201**	**86,631**	**(100,897)**	**1,935**

COMPANY BALANCE SHEET
YEAR ENDED 30 APRIL 2019

	Note	2019	2018
		£'000s	£'000s
Fixed assets			
Tangible assets	4	6	11
Intangible assets	5	2	–
Investments	6	–	4,397
		8	**4,408**
Current assets			
Debtors	7	288	321
Cash at bank and in hand		2,217	18,809
		2,505	**19,130**
Creditors: amounts falling due within one year	**8**	**(578)**	**(325)**
Net current assets		**1,927**	**18,805**
Net assets		**1,935**	**23,213**
Capital and reserves			
Called up share capital	9	16,201	16,201
Share premium account	9	86,631	86,631
Profit and loss reserve	9	(100,897)	(79,619)
Shareholders' funds		**1,935**	**23,213**

The Company reported a loss for the financial year ended 30 April 2019 of £21.4m (2018: £29.9m). The financial statements of ITM Power Plc, registered number 05059407, were approved by the Board of Directors and authorised for issue on 3 October 2019.

Signed on behalf of the Board of Directors:

Dr. Simon Bourne
Director, ITM Power Plc

NOTES TO THE COMPANY FINANCIAL STATEMENTS
YEAR ENDED 30 APRIL 2019

1. 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
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

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

Investments should now also be considered for any potential credit losses under the new IFRS 9 "Financial Instruments". Given that the Group is in the early stages of commercial trade and that the parent company continues to support its subsidiaries as they build up trade, all investments have been compared with their net asset value and where that does not provide any immediate prospect of repayment, especially if assets are not sufficiently liquid, investment values are impaired down to nil value.

This exercise was always previously undertaken in this manner for the main subsidiary company and as it was loss making with net liabilities rather than net assets, impairment was made to reduce the investment value down to nil. So there has been no directly attributable impact of the revised standard in these accounts other than that the calculation has now been extended to encompass all subsidiary investments.

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 26.

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.

2. 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 6. The subsidiaries continue to trade, but currently are trading at a loss, which is seen as temporary by management. However, with the revision to IFRS 9 “Financial Instruments”, all subsidiary company loans have been considered this year and the investment value has been impaired to nil as a result of review of the net liability positions.

3. Staff numbers and costs

	2019	2018
	Number	**Number**
Monthly average number of persons employed	5	6

Staff costs during the year (including directors)	£'000s	£'000s
Wages and salaries	704	723
Social security costs	90	93
Other pension costs	41	36
	835	**852**

	2019	2018
Remuneration of the highest paid Director	**£'000s**	**£'000s**
Aggregate emoluments	370	381
Money purchase pension contributions	28	28
	398	**409**

As at 30 April 2019 pension contributions of £1k (2018: £1k) 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.

4. Tangible fixed assets

	Computer equipment	Office furniture & fittings	Leasehold improvements	Total
	£'000s	£'000s	£'000s	£'000s
Cost				
At 1 May 2018	194	12	10	216
Additions	1	–	–	1
Disposals	–	(12)	(10)	(22)
At 30 April 2019	**195**	**–**	**–**	**195**
Deprecation				
At 1 May 2018	183	12	10	205
Charge for the year	6	–	–	6
Disposals	–	(12)	(10)	(22)
At 30 April 2019	**189**	**–**	**–**	**189**
Net book value				
At 30 April 2019	**6**	**–**	**–**	**6**
At 30 April 2018	**11**	**–**	**–**	**11**

5. Intangible assets

	Software £'000s
Cost	
At 1 May 2017 and 1 May 2018	–
Additions	2
At 30 April 2019	**2**
Amortisation	
At 1 May 2017 and 1 May 2018	–
Charge for the year	–
At 30 April 2019	**–**
Carrying amount	
At 30 April 2019	**2**
At 30 April 2018	**–**

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

6. Investments

	Loans to subsidiary undertakings	Shares in subsidiary undertakings	Total
	£'000s	£'000s	£'000s
Cost			
At 1 May 2018	69,303	3,621	72,924
Additions	15,817	–	15,817
Disposals	–	(27)	(27)
Transfers	–	–	–
At 30 April 2019	**85,120**	**3,594**	**88,714**
Provisions for impairment			
At 1 May 2018	64,906	3,621	68,527
Movement in year	20,214	(27)	20,187
Transfers	–	–	–
At 30 April 2019	85,120	3,594	88,714
Net book value			
At 30 April 2019	**–**	**–**	**–**
At 30 April 2018	**4,397**	**–**	**4,397**

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 was dormant during the year.

ITM Power (Trading) Ltd holds 100% of the ordinary share capital 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 capital 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: Am Muehlgraben 6, 35410 Hungen, Germany.

The Company holds 100% of the ordinary share capital 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 capital 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 capital 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: 5th Floor 125 Princes Street, Edinburgh, Scotland, EH2 4AD.

The Company previously held 100% of the ordinary share capital of ITM Power ApS, a company which was incorporated in Denmark. The Company was dormant for several years and was wound up during the year under review.

The Company previously held 100% of the ordinary share capital 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 for several years and was wound up during the year under review.

The Company previously held 100% of the ordinary share capital 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 for several years and was wound up during the year under review.

7. Debtors: Amounts falling due within one year

	2019	2018
	£'000s	£'000s
Prepayments	256	155
Other debtors	32	166
	288	**321**

8. Creditors: Amounts falling due within one year

	2019	2018
	£'000s	£'000s
Trade creditors	236	93
Payroll creditors	18	18
Accruals and deferred income	324	214
	578	**325**

9. Share capital and reserves

The movements on share capital and share premium accounts are disclosed in Note 21 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.

10. 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.

2018/19 REGULATORY NEWS ANNOUNCEMENTS

2019		
RNS	Half-year Report	08 Jan 2019
RNS	First Sales in Australia	14 Jan 2019
RNS	OLEV Award and Pipeline Update	06 Feb 2019
RNS	Sale to Toyota Australia	19 Mar 2019
RNS	Price Monitoring Extension	15 Apr 2019

2018		
RNS	Holding(s) in Company	02 May 2018
RNSR	BIG HIT Project Update	10 May 2018
RNS	Board Appointment	21 May 2018
RNS	Trading and Pipeline Update	14 Jun 2018
RNS	Sumitomo Strategic Partnership Agreement	09 Jul 2018
RNS	Price Monitoring Extension	09 Jul 2018
RNS	Second Price Monitoring Extn	09 Jul 2018
RNS	Notice of Results	30 Jul 2018
RNS	Final Results	13 Aug 2018
RNS	PDMR Grant of Options	14 Aug 2018
RNS	Price Monitoring Extension	18 Sep 2018
RNS	Second Price Monitoring Extn	18 Sep 2018
RNS	ITM Opens Seventh Hydrogen Refuelling Station	26 Sep 2018
RNS	100MW Power-to-Gas energy storage FS	28 Sep 2018
RNS	Notice of AGM	03 Oct 2018
RNS	Holding(s) in Company	17 Oct 2018
RNS	Price Monitoring Extension	29 Oct 2018
RNS	Trading Update	29 Oct 2018
RNS	HyDeploy: Hydrogen in the UK Gas Grid	06 Nov 2018
RNS	Price Monitoring Extension	06 Nov 2018
RNS	Funding for UK Hydrogen Trials on the gas network	29 Nov 2018
RNS	Price Monitoring Extension	07 Dec 2018
RNS	Expansion of Presence in Germany	17 Dec 2018

RNS RNS Reach

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