

I T M  
P O W  
E R 20

ANNUAL REPORT AND FINANCIAL STATEMENTS





**ITM POWER**  
Energy Storage | Clean Fuel



The world's largest PEM electrolyser factory  
Bessemer Park, Sheffield

COMING  
ITM POWER





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# OFFICERS AND PROFESSIONAL ADVISORS

## DIRECTORS

Sir R Bone  
Dr S Bourne  
Dr G Cooley  
Dr R Smith  
Mr A Allen

Mr M Green (Appointed 16/09/2019)

Mr J Nowicki (Appointed 1/11/2019)

Mrs K Roe (Appointed 6/05/2020)

Lord R Freeman (Resigned 3/10/2019)

Prof R Putnam (Resigned 31/10/2019)

Mr R Pendlebury (Resigned 31/07/2020)

## COMPANY SECRETARY

Ms N Ham Edmonds (Appointed  
16/09/19)

Mr A Allen (Resigned 16/09/19)

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# HIGHLIGHTS

## DEVELOPMENTS IN THE LAST 12 MONTHS

- Strategic partnership with Linde and formation of ITM Linde Electrolysis (ILE) GmbH joint venture, allowing ITM Power to focus exclusively on the manufacture of electrolysis equipment for larger scale systems
- Commercial partnership agreement with Snam (one of the world's leading energy infrastructure operators), including a £30m strategic investment, announced today, including an initial 100MW preferred supplier indicative commitment to 2024
- Equity fund raise of £150m (including the Snam investment) plus a £7m open offer to accelerate development also announced today
- Record current backlog of £118.7m (previous high £55.0m) and tender opportunity pipeline of £324.9m (£263m as at June 20)
- Near completion of the world's first Gigafactory in Bessemer Park, Sheffield, expected to reach annual production capacity of 1,000MW per annum by end of 2023
- EU funding of €150 billion announced for green hydrogen in the 10 years to 2030
- A total of five European governments have now stated explicit electrolyser targets for 2030: France 6.5GW, Germany 5GW, Spain 4GW, Holland 3-4GW and Portugal 2GW

## 2020 FINANCIAL RESULTS

- Revenues and EBITDA adversely affected by COVID-19, Brexit and the adoption of IFRS 15
- Total Revenue & Project Grant Funding of £5.4m (2019: £17.5m) down 69%, comprising:
  - Sales revenue: £3.3m (2019: £4.6m) down 28%
  - Collaborative grant income recognised: £2.1m (2019: £12.9m) down 84%
- Loss from operations £29.4m (2019: £9.3m)
- Adjusted EBITDA loss (see note 6) £18.1m (2019: loss £7.3m), increased 148%
- Available cash balance of £39.9m at year-end (2019: £5.2m)

## REVIEW OF OPERATIONS

### ITM Power - Building a Global Presence

ITM Power has worked hard to build relationships globally by adding anchor points - via our partnership with Linde and through collaborations - 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.

## HIGHLIGHTS FOR THE YEAR

- Incorporation of ITM Linde Electrolysis GmbH, partnering in 50/50 joint venture with Linde Engineering which is focussing on large-scale electrolyser deployments
- Appointment of Martin Green and (post year-end) Katherine Roe as non-executive directors
- Appointment of Juergen Nowicki as non-executive director following the investment received from Linde Engineering

# HIGHLIGHTS

## UPDATES

### Clean Fuel

- 15 wholly owned Hydrogen Refuelling Station (HRS) assets in ITM Power's portfolio:
  - Nine are open to the public; six are in various stages of construction
- Hydrogen fuel contracts now 36 in total (2019: 33) with fuel sales reduced to 31 tonnes for the year (2019: 32 tonnes), down 3%
- Refuelling assets now grouped together under ITM Motive with Duncan Yellen appointed as MD to implement a strategy to achieve profitability by focussing on larger scale refuelling projects for fleets, buses and trains.

### Power-to-Gas

- ISCF Green Hydrogen for Humberside award - Hydrogen supply competition, direct coupling with wind turbine and off-shore locations
- Completion of the Gigastack feasibility study and award of phase 2 funding (£7.5m) for a Front-End Engineering Design (FEED) study for a 100MW refinery deployment with Orsted, Phillips 66 Limited and Element Energy.
- Shell Refhyne project programme progressing well with all five 2MW electrolysers built and phase one of factory acceptance testing successfully completed



2020 has been a transformational year for ITM Power. We attracted a strategic investor and joint-venture partner in Linde, one of the world's leading gas companies, we strengthened our balance sheet so that we can take full advantage of the mushrooming green hydrogen market and we put the finishing touches to the world's largest electrolyser factory in Sheffield. I believe we have the right products at the right time and the capacity to produce them at scale. Today's partnership agreement with Snam and the fund raise means that we are very well positioned for the future

Dr Graham Cooley  
ITM Power Plc, CEO

A modern industrial building with dark grey horizontal siding and large glass windows. The building is set against a blue sky with scattered white clouds. The foreground is paved with grey interlocking bricks. The ITM POWER logo, featuring a stylized circular emblem, is positioned to the left of the company name. Below the company name, the text 'Energy Storage | Clean Fuel' is displayed in a smaller font.

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Bessemer Park, Sheffield

# CHAIRMAN'S STATEMENT

The year to April 2020 was a year of transition for the company, as the build of Bessemer Park, our new 1GW factory continued, and the company developed its relationship with Linde Engineering after their £38m investment in October 2019. The partnership with Linde has enabled ITM to have a solutions-led approach to many markets, and has seen an improvement in the way the company develops bids with the associated engineering discipline required to convert more opportunities.

At the time of these results, the company is announcing a £150m fund raise to accelerate the technology offering, both in terms of performance of the existing products but also to accelerate the development of the 5MW Gigastack, in a direct response to market dynamics and the evidence of market readiness for larger systems.

As part of the fund raise, ITM announces an equity investment and partnership from SNAM, whereby ITM and SNAM will work together to develop opportunities in Italy and around the world, and shall also share expertise and knowhow in project and business development. The partnership includes an indicative commitment from SNAM for 100MW of electrolysis to be ordered before December 2024.

During the past year the Company made changes to the board, with Martin Green and Juergen Nowicki having joined the board, and the resignations of Roger Putnam and Bob Pendlebury. I took over from Roger Putnam as Chairman of the Board on 1 November 2019. I welcome the new non-executive directors to the board, including Katherine Roe who joined us post year-end, and look forward to working with them in years to come.

2020 is the year in which the market dynamics for large scale hydrogen has changed, especially with the EU package detailing a market worth €140bn by 2030, supported by a commitment to 40GW of electrolysis, and with individual countries launching large, multi-GW packages with explicit commitments from Germany, Spain, Holland and Portugal totalling 15GW.

One of the long-term impacts of Covid-19 will be to accelerate green strategies as part of a recovery package for individual economies. As such, I see ITM Power, with the capabilities it has developed, the new factory in Bessemer park, and its strategically-aligned partnership with global companies very well placed to offer solutions to the demand seen in the global market.

In closing, I would once again like to thank all shareholders for their continued support and to give special recognition to the staff at ITM, for their hard work and loyalty in 2020.



Chairman handover  
Sir Roger Bone and Prof Roger Putnam





# CORPORATE UPDATE

## Covid-19

ITM Power boasts a resilient and industrious work force who have adapted to the situation created by Covid-19 wherever possible, continuing to progress not only existing contracts but also to support the rapid changes within the business that will benefit the Group as we move forward. This has been aided by an accelerated purchase of new IT equipment and server capabilities, the roll-out of Microsoft Teams as a means of keeping in touch or holding meetings with both internal and external parties, as well as promoting good mental health and continued peer group support.

That being said, Covid-19 has had an impact on the financial year-end and the normal operations of the company. The Group acted quickly to ensure the Health and Safety of employees and customer staff, with field engineers leaving customer sites and returning to the UK. All seven customer sites where ITM Power is working to install equipment have seen temporary closures by our customers, leading to delayed site acceptance testing which has impacted revenue recognition for these contracts.

The factory was temporarily reduced to a skeleton staff between March and June for the welfare of staff whilst changes were implemented to ensure the premises were considered Covid-secure.

ITM Power hydrogen refuelling stations formed part of a network of essential services, supporting police and medical personnel as well as taxi companies brought into the service of patients and NHS staff. A skeleton staff of materials/logistics personnel, monitoring staff and

maintenance engineers remained on site in Sheffield and around London during the lockdown to support these facilities.

At its highest, 32 production staff were furloughed under the government job retention scheme while the factory was modified. For others, work was reallocated around the business wherever possible according to skill-sets and requirements to allow continued remote working.

In early June we began the process of returning people to the factory. This required risk assessments of the areas to make them suitable for work under new social distancing rules, close liaison with shop floor personnel over abilities to return to work and skillset requirements to further the production process at the correct times, as well as return to work inductions to explain the new PPE and location requirements for safe effective working.

We have also been undertaking a return to customer sites, although this is dictated by both ITM Power and customer requirements, country and UK government guidelines, quarantine rules and modified working practices. A contingent liability has been added and disclosed in note 29 to the accounts around the delays caused by different national Covid strategies and rules, and how this may impact our resources across our ongoing projects.

Management will continue to monitor the effect of Covid-19 closely to deploy personnel efficiently over the coming financial year in order not to cause undue delay to projects. The full impact remains unknown and as such, we have been undertaking a review of revised projects timelines.



## GLOBAL MANUFACTURING HQ, SHEFFIELD

In July 2019, the Group announced that it had signed an agreement to lease new 134,000 square foot 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. The landlord completed the building and handed over the keys in late November 2019, since when we have been adding to the office space, configuring the manufacturing facilities, installing a 5MW power supply and fitting out the entire premises.

A video showcasing the new factory was completed in October and has since received over 11,000 views. The Group felt this was a good way of communicating the facility to stakeholders and investors and feedback has been very positive.

The requirement to expand ITM Power's production capacity has been led by the continued growth in the Company's order pipeline. The new headquarters will see the ITM Power workforce co-locate into a single building and gain access to a five-fold increase in production space.

ITM Power is also keen to reduce the cost of its product offering through standardisation, process development and production volume. Central to this is the adoption of semi-automated manufacturing equipment for repeat components as part of an integrated manufacturing system. Key to maximising product throughput is the substantial power connection, which will enable parallel testing of larger products prior to dispatch.



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The Group had hoped to transition the majority of its operations into PLP Bessemer Park by late Summer 2020, following completion of its own technical and industrial fit out. This was delayed until Autumn 2020 by the Covid-19 lockdown and materials shortage. The office spaces are now available and are helping staff who might otherwise have struggled to maintain social distancing in our other buildings. Our manufacturing facilities will move into the new space in November 2020.

## MARKETING UPDATE

A new company website was launched December 2019, which included main sections for investors, press and media as well as a large market section, highlighting the main market applications for hydrogen. The website has been well received and continues to attract a growing number of new visitors and enquiries per month. A brand and website were also created for ITM Linde Electrolysis GmbH in partnership with Linde Engineering, which was launched in March.

This year saw the cancellation of several exhibitions including the Hannover Messe, normally a key event in the ITM Power calendar and the source of much interest for our technology.

The Group had also planned to exhibit and present in February for the first time at the FC Expo, Japan, alongside partners Sumitomo, Dr Simon Bourne, CTO, had been invited to present in the technical session and introduce the company's product range, but due to Covid-19 risks the company decided not to travel and attend in person.

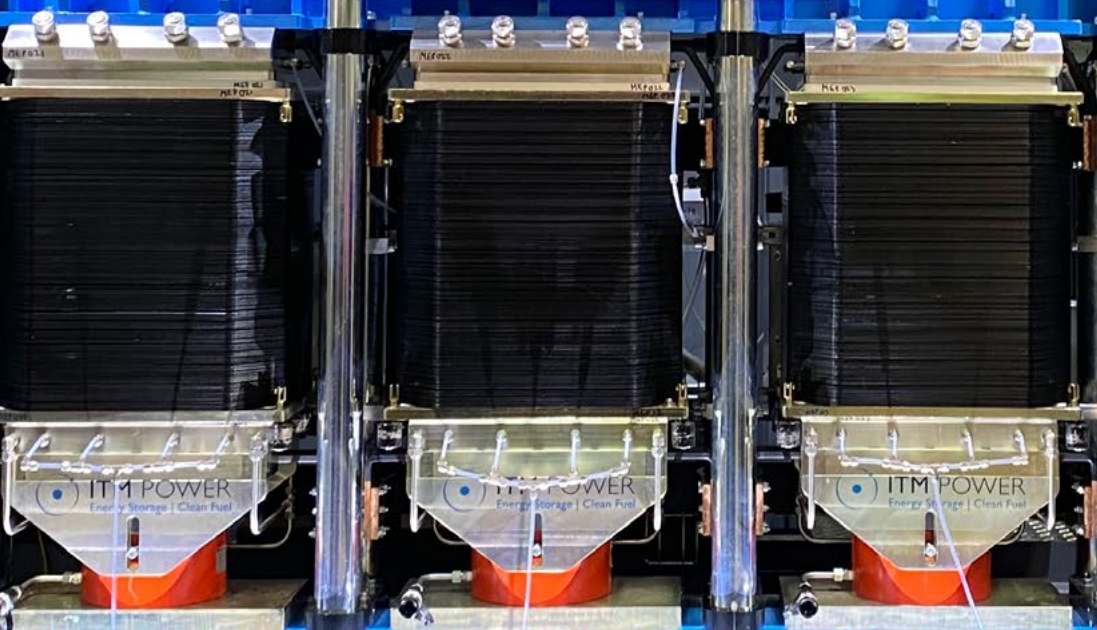
ITM Power has been active in supporting the Gigastack project and developing communications alongside BEIS, Orsted and Phillips 66 Limited, resulting in a ministerial visit of Minister for Business, Energy and Clean Growth, Kwasi Kwarteng at the opening event in February. ITM Power also hosted a visit in February from the Conservative Party Chairman, Amanda Milling, who met with Dr Graham Cooley, CEO, enjoyed a tour of the factory and drove and refuelled the fuel cell Toyota Mirai.

The Group continues to send out monthly communications via a newsletter and we have a growing number of sign-ups to receive the news each month.





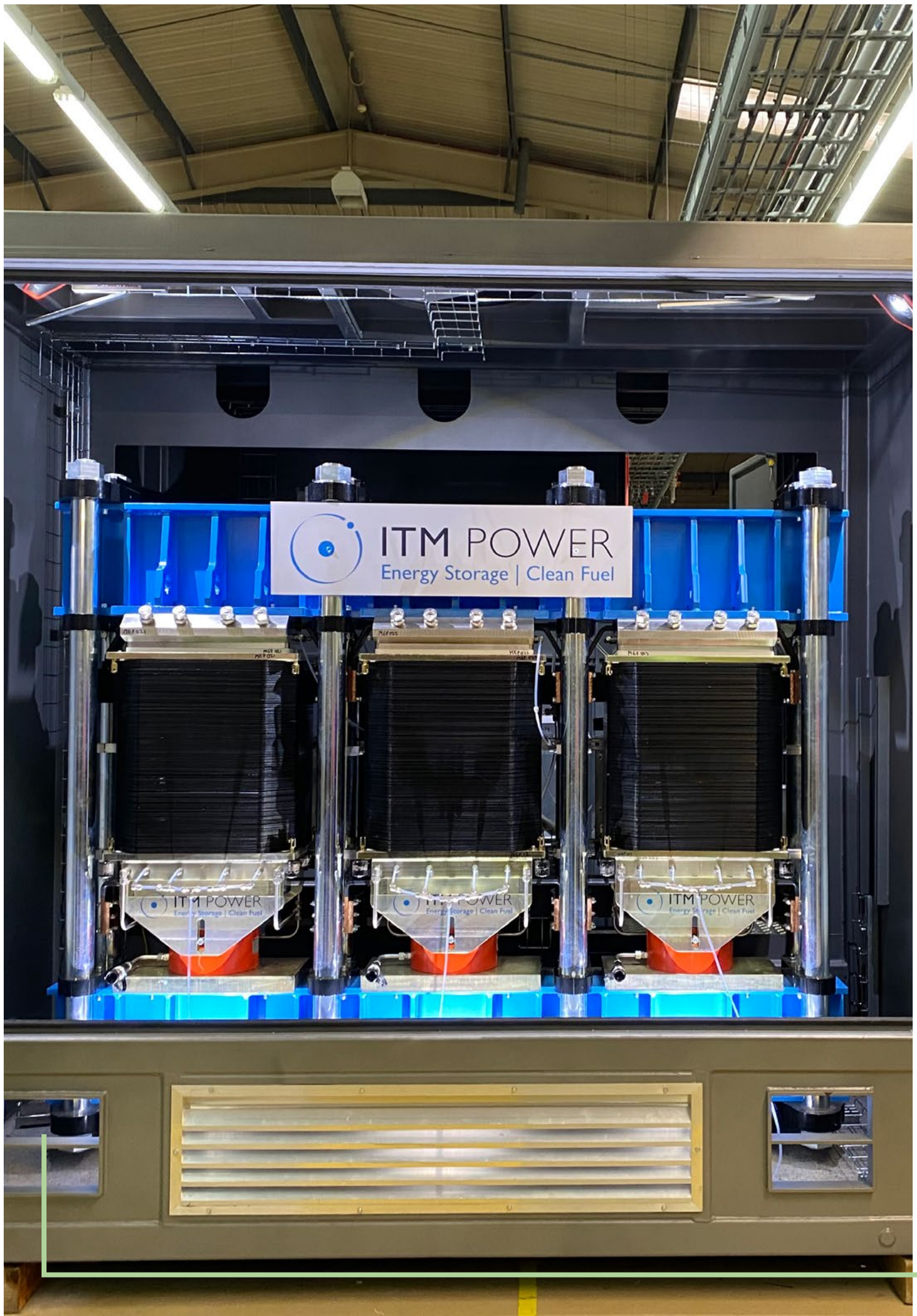
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# PRODUCTS AND TECHNOLOGY

As a vertically integrated company, ITM Power continues to place strategic focus on the development of its technology. The technology roadmap is driven by the business plan and targeted at reducing cost, increasing performance and expanding production capacity. Over the course of the last 12 months, using the Company's extensive testing facilities, ITM Power has completed verification work on a number of machines which will bring semi-automation to stack production. This has been an important development and is central to achieving a step change in future production capacity while also bringing important cost reductions.

ITM Power has achieved further efficiency improvements to both the existing and next-generation stack efficiency through incremental advances within the laboratory. These improvements are to be integrated into the commercial offering after verification testing. The knowledge of processes within high performance PEM stacks that ITM Power has developed is deep and extensive and will continue to drive improvements at the stack level.



Despite Covid-19 the REFHYNE project at Shell hosted a visit from the EU commissioner for Energy, Kadri Simson





# STRATEGIC REPORT



# 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.



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Bessemer Park, Sheffield

# BUSINESS MODEL

## Introduction

ITM Power Plc designs and manufactures integrated hydrogen energy systems based on Proton Exchange Membrane (PEM) electrolyser 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 renewable energy from the power network or other directly coupled sources, convert it into green, zero-carbon-footprint hydrogen and use it in one of three broad applications – Power to Gas, Clean Fuels and Industrial Hydrogen. We believe that all of these markets will grow significantly over the next few years based on the commitment by governments worldwide to mitigate climate change, the growth of renewables in the energy mix and the need to decarbonise industrial processes.

We believe that ITM Power Plc remains uniquely well-placed to capture material shares of each market.

GLOBAL  
GREEN GAS  
SOLUTIONS

## ITM LINDE ELECTROLYSIS

### Working with Linde GmbH

Over the course of the last few years, we have gained significant experience in providing customers with turnkey hydrogen installations, where we have supplied not just the core electrolysers at the heart of the project but also the engineering, procurement and construction (EPC) that goes with them. Our core strength lay in the capability of our product and the manufacturing processes associated with it, and in order to scale, the Group would require a partner that could offer best-in-class EPC services for large industrial projects. We concluded a strategic investment and Joint Venture agreement in October 2019 with Linde Engineering.

The agreement, and our 50% investment in ITM Linde Electrolysis GmbH, allows ITM Power Plc to focus solely on our prime source of competitive advantage – the efficient manufacture and supply of best in class PEM electrolysers. Linde will provide its world leading EPC services for the projects won through the new company. This shift in our business model enables us to concentrate our efforts on the provision of green electrolysis equipment.

# BUSINESS ENVIRONMENT & ANNUAL REVIEW OF THE BUSINESS

“Net Zero – the UK’s Contribution to Stopping Global Warming”

In May 2019, the Committee on Climate Change published a report, requested by the UK, Scottish and Welsh Governments in light of the Paris Agreement and the Intergovernmental Panel on Climate Change’s Special Report in 2018. The report stated that the UK could end its contribution to global warming within 30 years by setting an ambitious new target to reduce its greenhouse gas emissions to zero by 2050.

From the very start it highlighted the vital role that hydrogen could play to achieve such a target and predicted (depending on load factor) between 6 GW and 17 GW of electrolyser capacity would be required in the UK by 2050. This implies an average build rate of up to 567MW of electrolysis per annum for 30 years.

Low-carbon hydrogen moves from being a useful option to a key enabler in the quest for a net-zero emission target, according to the report, which urged the government to adopt the recommended target and update policy to reflect that.

The Report also covered the potential for hydrogen in reducing emissions in heating and cooking, the use in industry of green hydrogen, in fuel cell electric vehicles, in ports and in agriculture.



ITM Power welcomed the findings of this report, which highlighted the many benefits that clean production of hydrogen offers in eliminating carbon. We have the experience and capability to help deliver the UK’s carbon reduction targets. Our products in energy storage, industry and transportation sectors are already delivering benefits to forward thinking customers in the UK and in many other parts of the world.



Alongside the predicted growth trajectory for electrolysis, the cost outlook for green hydrogen is also positive. The Hydrogen Council expects green hydrogen to become cost competitive with grey hydrogen by 2025 assuming a €50 per ton CO<sub>2</sub> price. An 80GW electrolyser target for Europe by 2030 has been proposed, where electrolysers feed into a hydrogen transmission network that interconnects the renewable energy resources of the North Sea, Morocco and Ukraine with the demand centres of Europe. Further afield, Australia is actively pursuing opportunities to export green hydrogen and has estimated that 69 per cent of the 2025 global market for hydrogen will lie in its four target markets of China, Japan, Korea and Singapore.

The emerging trends in different industrial sectors, together with increasing acceptance by governments around the world that green hydrogen is an essential vector to achieve their carbon reduction commitments, bode very well for the electrolysis market.

Governments are increasingly recognising the role of green hydrogen as a decarbonisation tool. The U.K. government has introduced an overarching net zero target and placed an early focus on decarbonising industrial clusters that will lead to progressively larger deployments of electrolysers.

The European Commission has recently established a Clean Hydrogen Alliance to accelerate the decarbonisation of EU industry. In addition, it is about to introduce a Renewable Energy Directive II, which will facilitate green hydrogen adoption by refineries and introduce a Smart Sectoral Integration Package which is widely expected to set targets for hydrogen admixtures in the gas grid. These emerging policy frameworks will have a major impact on the scale of the European electrolysis market. A total of three European governments have now stated explicit electrolyser targets for 2030: Germany 5GW, Holland 3-4GW and Portugal 2GW.





# POWER-TO-GAS



### Power-to-Gas

Governments around the world and supra-national bodies such as the European Union are increasingly turning their commitments to reduce emissions under the COP21 Paris Agreement on climate change into legislated targets. This includes the UK with its Net Zero by 2050 legislation. There has been an increasing realisation that as countries continue to plant up with renewable generation, there is an increasing requirement for energy storage to address the challenge of intermittency. Battery technology cannot achieve this at the scale required. In the last year, the offshore wind and gas sectors have started to advocate green hydrogen as the means for sustaining their long-term business models.







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.

#### BigHit: Orkney Islands

Part funded by the FCHJU and Innovate UK, an ITM Power 1MW electrolyser on the Orkney Islands is in operation, producing hydrogen from excess wind. The Big Hit project will continue for a further two years collecting data and evaluating performance to reinforce the business case for island hydrogen systems.

# HYDEPLOY: HYDROGEN IN THE UK GAS GRID

Funded by Ofgem and led by Cadent and Northern Gas Networks, HyDeploy is a year-long live energy trial to establish the potential for blending up to 20% hydrogen into the normal gas supply to reduce carbon dioxide emissions. ITM Power's role was to provide a 0.5MW electrolyser to inject zero carbon hydrogen into a gas network to heat homes and businesses. This first UK pilot project at Keele University delivered the longest period of continuous blending operation to date in March 2020 supplying gas for domestic heat and cooking.

Two further trials will follow with ITM Power electrolysers on public gas networks in the north of England. 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.



HyDeploy is a pioneering landmark national demonstration project, using our campus as a genuine 'living laboratory' for low carbon and energy efficient technologies. HyDeploy has the potential to be hugely impactful and lead to a step change in the reduction of carbon emissions associated with heat.

Professor Mark Ormerod  
Deputy Vice Chancellor  
Keele University



We know our existing gas networks are in good shape to help the UK meet its climate change targets. Blending hydrogen in this way means customers will use gas tomorrow as they do today, without any disruption or need to change their pipes or appliances.

Simon Fairman  
Director of Safety and Network Strategy  
Cadent



# BRITISH COLUMBIA HYDROGEN FEASIBILITY STUDY

In July 2019, ITM Power announced the completion of a techno-economic feasibility study funded by the British Columbian Government, with support from partners Mitsui & Co., Chiyoda Corporation and BC Hydro.

The study commenced in April 2018 with the aim of examining the potential for large-scale production of renewable hydrogen in British Columbia, which could be used domestically and for export to California and Japan using ITM Power's state of the art PEM electrolyser technology and Chiyoda Corporation's newly developed liquid organic hydrogen carrier, SPERA Hydrogen. British Columbia brings a number of competitive advantages to the establishment of a first-of-its-kind large renewable hydrogen industry including the availability of renewable electricity, the abundance of freshwater and the proximity of numerous production sites to deep water harbours for the export of hydrogen to markets in the United States and Asia.

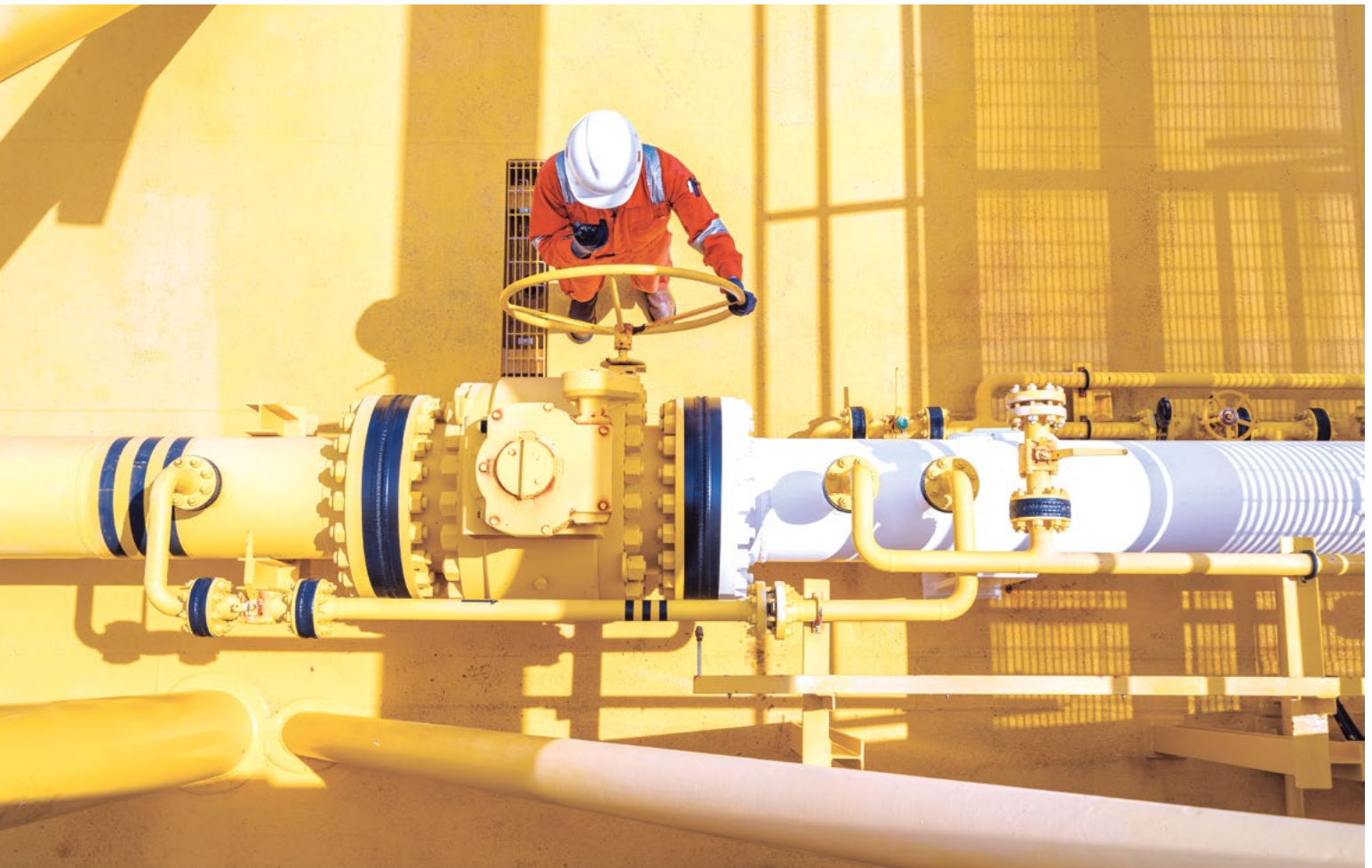


Government is taking bold action to meet the climate targets set out in our world-leading CleanBC plan. Producing and exporting made-in-BC hydrogen power is an exciting opportunity to reduce greenhouse gas emissions, boost our economy and create good clean energy jobs.

Hon. Michelle Mungall  
British Columbia Minister for Energy, Mines and  
Petroleum Resources

The study analysed potential locations for the practical installation, operational business cases for up to 300MW of electrolysis, demand for hydrogen in the domestic market to help British Columbia meet the goals of a new zero emission vehicle policy, and international markets for large scale export. It highlighted a number of attractive opportunities that provide the basis for British Columbia to leverage its vast renewable electricity generation capacity to become a world leader in the production and export of renewable electrolytic hydrogen whilst providing socio-economic benefits including business development and job growth for local communities including the First Nations people.

The results of the study will be used by ITM Power, Mitsui & Co. and Chiyoda Corporation to consider the installation of a facility in British Columbia that has the potential to be the world's largest hydrogen production facility.





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**HYDROGEN  
FUEL STATION**



**HYDROGEN PRODUCED  
ON-SITE**

# CLEAN FUEL



### 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 scarcer and more expensive.

ITM Power electrolyzers generate hydrogen fuel on-site via ITM Power PLC's rapid response electrolyser system, using renewable electricity and water with a full tank of fuel dispensed within a matter of minutes at the station where it is generated. This means a zero-carbon footprint and no use of further transport infrastructure.

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. An additional benefit of hydrogen is its role in supporting the drive for cleaner air, especially important in densely populated cities. When hydrogen fuel cell electric vehicles are driven, the only emission is water vapour and each three-minute car refuel provides a range of up to 400 miles.

### Owner-operator of refuelling stations

Back in May 2019, ITM Power was pleased to announce the extension of the UK refuelling collaboration agreement with Shell to run until 2024, and cover the refuelling of all types of hydrogen vehicles; from passenger cars to commercial vehicles, including buses, trucks, trains and ships.



Gatwick Airport is delighted to host a hydrogen refuelling station provided by ITM Power, to encourage the further take-up of clean emission transport for visitors to the airport and local fleet operators. We recognise the value of hydrogen as a renewable clean fuel that can contribute towards our decarbonisation and air quality objectives, and we look forward to its expanding role in transport and energy.

Tim Norwood  
Corporate Affairs, Planning and Sustainability Director,  
Gatwick Airport





Shell has been working with ITM Power over the last three years to deliver hydrogen refuelling to our customers in the UK. The successes we have achieved at Shell Cobham and Shell Beaconsfield are a strong step toward making Hydrogen a convenient and viable fuel choice, and we look forward to continuing to expand the UK's developing network.

Mike Copson  
Shell Hydrogen



In October 2019, the Group opened its eighth UK public access hydrogen refuelling station (HRS), and its second under the H2ME2 project funded by the European Fuel Cell and Hydrogen Joint Undertaking (FCHJU) and the Office of Low Emission Vehicles (OLEV). The new HRS is located at the Shell services, Gatwick Airport on the M23 corridor south of London. 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.

ITM Power continue to roll out a network of hydrogen refuelling stations in the UK, with a further five in planning or build phases and we were proud to play a part in the support of key workers during the Covid-19 pandemic. In the year, the Group dispensed 31 tonnes of hydrogen from its refuelling stations (2019: 32 tonnes).

Post year-end we announced plans to group our refuelling station portfolio into a separate subsidiary, ITM Motive, and we have appointed a Managing Director, Duncan Yellen, to drive the business forward by implementing his strategy to focus on larger scale refuelling for fleets of vehicles while the public stations build their revenue.



Fulfilling our duties during the Covid-19 lockdown does not mean that we should abandon our commitments to lowering carbon emissions. We salute all those key workers who are keeping us all going.

Jiggs Bharij  
Head of Fleet Services, Metropolitan Police





### Larger vehicle refuelling

Within the transport sector, a renewed focus has been placed on the development of zero-emission heavy vehicles, where fleets need to be refuelled with large amounts of hydrogen on a regular basis. ITM Power Plc has won contracts to supply on-site hydrogen generation equipment for refuelling in the UK, France, the US and Australia. In the current year we have still been working to deploy bus refuellers in Birmingham and Pau.

The Birmingham Bus Project was to be ITM Power's first project in the hugely promising hydrogen fuel bus segment and was expected to enhance our competitive advantage for additional future opportunities. The 3MW Electrolyser is built and works have been in progress at Tysley Energy Park, however, delays in the provision of the buses have resulted in the bus refueller being put on hold. It is hoped that ITM Power's onsite works for the second phase, as it has now become, can be scheduled shortly after the opening of the car refueller early in the new financial year.



The ITM Power 0.5MW electrolyser central to the Pau bus refueller project in France was put into operation and enabled the launch of Pau City's Hydrogen Bus Fleet in December 2019. Since then over nine tonnes of hydrogen have been produced and used by the buses in seven days per week refuelling, prior to the site shutting down in March as a result of Covid-19 restrictions.

The Group announced the formation of the H2OzBus Project and the signing of a memorandum of understanding with strategic partners. The Consortium will undertake a project to deploy an initial 100 hydrogen fuel cell electric buses in cities across Australia in Phase 1, with the intention to use this as a seed for more widespread roll-out. The H2OzBus Project partners are Ballard Power Systems, BOC Limited, Transit Systems, Palisade Investment Partners and ITM Power.

ITM Power has signed a further agreement to supply an 8MW multi vehicle electrolyser suitable for refuelling large vehicles in the UK. The agreement, including associated project costs, has a total value of £10m and funding will fall across FY2021 to FY2022.



By working with industry leaders ITM Power and BOC to bring our collective expertise together, we will maximise the potential of this new technology to offer fleet operators and industry a packaged solution that brings all of the pieces of the jigsaw together - production, distribution, supply. All they have to do is provide the vehicles. We have a huge opportunity here to bring net zero ever closer for the benefit of everyone and support a better future, quicker - and we will make it happen

Lindsay McQuade  
CEO, ScottishPower Renewables

Post year end, A pioneering Strategic partnership has been established to create new green hydrogen production facilities with clusters of refuelling stations across Scotland, supporting the country's efforts to achieve net zero by 2045. 'Green Hydrogen for Scotland' - a partnership of ScottishPower Renewables, BOC (a Linde company) and ITM Power - brings together industry-leading names in the renewables and clean fuel industries to offer an end-to-end market solution for reducing vehicle emissions through the provision of green hydrogen.

The partnership's first project, 'Green Hydrogen for Glasgow', is designed to provide carbon-free transport and clean air for communities across the city, which wants to become the first net-zero city in the UK.

A proposed green hydrogen production facility located on the outskirts of the city will be operated by BOC, using wind and solar power produced by ScottishPower Renewables to operate a 10MW electrolyser, delivered by ITM Power. The project aims to supply hydrogen to the commercial market within the next two years.

This project also supports the Scottish Government's decarbonisation targets and Glasgow City Council's commitment to creating a zero emissions vehicle fleet, using only electric and hydrogen-powered vehicles by the end of 2029.



Hydrogen is a key element of the energy supply of the future. The HyStock hydrogen plant is the first specific step towards making a real effort to achieve the required further growth in the use of sustainable hydrogen throughout the chain, from production to usage.

Han Fennema  
CEO, Gasunie

#### New use for Hydrogen from the Gasunie Green Hydrogen Electrolyser Plant in the Netherlands

Gasunie's Hystock green hydrogen plant in Veendam near Groningen was opened by King Willem-Alexander in June 2019. Gasunie manages and maintains the infrastructure for the large-scale transport and storage of gas in the Netherlands and the northern part of Germany.

ITM Power supplied the 1MW PEM electrolyser system, which will use renewable energy and water to generate hydrogen. The intention was to use the hydrogen on-site or to fill tube trailers for deployment at other plants. In fact, the electrolyser filled tube trailers during March and April and the hydrogen gas produced by the ITM Power electrolyser was used to provide fuel for the first hydrogen train in the Netherlands, on its maiden voyage.





# INDUSTRIAL



### Industrial

Many industries use hydrogen as part of their production processes. Today, almost all of this hydrogen is made by steam reformation of methane (natural gas), a highly carbon intensive method. Three industries dominate carbon emissions from the use of hydrogen: ammonia production, steel making and the Group's prime target, refineries. 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 electrolyzers 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<sub>2</sub> for each tonne of liquid steel produced. The substitution of hydrogen for carbon has the potential to significantly reduce CO<sub>2</sub> emissions, because hydrogen is an excellent reducing agent and produces only water as a by-product.





## THE COMPANY'S FLAGSHIP REFINERY PROJECT WITH SHELL IN GERMANY

In June 2019, the Refhyne consortium announced the commencement of construction of the 10MW hydrogen electrolysis plant at the Shell Rheinland refinery in Wessling. Since then, the programme is progressing well and has provided valuable 'first of a kind' lessons. ITM Power's manufacture of the 10MW electrolysis plant is ongoing, with all five 2MW modules now built and these have completed the first stage of Factory Acceptance Testing (up to 85% load). In the meantime, other parts of the system are being sent ahead to the refinery and detailed planning around the installation and commissioning phase is underway in conjunction with Shell and their sub-contractor partners. Site works in the Rhineland Refinery are progressing but delays are now anticipated due to Covid-19 restrictions affecting suppliers and the testing and build phases. Cost overruns are anticipated for the project due to higher than anticipated EPC costs, primarily installation and commissioning costs for key components. The Company is working with Shell to seek to minimise anticipated cost overruns, currently forecast to be £3.5m, in line with previous guidance.



FCH-JU funded projects like REFHYNE give the opportunity to the European electrolyser industry to build equipment that meets the strict standards of the European refining industry. They will help reduce the CO2 footprint of large industrial processes through the production of green hydrogen.

Bart Biebuyck  
Executive Director  
EU Fuel Cells and Hydrogen Joint Undertaking



## THE GIGASTACK PROJECT -PHASE 2

In the initial feasibility phase of the Gigastack project (part of the Department for Business, Energy and Industrial Strategy (BEIS) Hydrogen Supply Competition), which finished in 2019, ITM Power developed designs for a low-cost modular 5MW electrolyser 'stack'. Now a further £7.5m has been awarded for the next phase, where ITM Power will get the chance to install and trial a prototype as well as the semi-automated manufacturing machines required for large-scale and high-volume manufacture of these next-generation low-cost stacks. This will help validate a complete production system capable of delivering hundreds of megawatts of electrolysers per year.

Led by Ørsted, the consortium will also conduct a Front-End Engineering Design ('FEED') study on a 100MW electrolyser system using staged installations with a nominal capacity of 20MW. The FEED study will use ITM Power's new generation of electrolyser stack technology together with renewable energy directly from Ørsted's offshore wind farms, to supply renewable hydrogen to an industrial off-taker, in this instance Phillips 66 Limited's Humber Refinery. A key objective of the Gigastack project is to identify and highlight regulatory, commercial and technical challenges for real applications of industrial-scale renewable hydrogen systems.



Creating renewable hydrogen with offshore wind really has the potential to decarbonise industrial processes, and what is needed now is to scale up the electrolyser technology and bring the cost down. We've seen this happen in offshore wind. With industry and government working together, there has been a rapid deployment and a huge cost reduction. This project aims to do the same with hydrogen. At the right cost, this technology has the potential to play a huge role in meeting the UK's decarbonisation targets.

Anders Christian Nordstrøm

Vice President for Hydrogen, Ørsted

# GREEN HYDROGEN FOR HUMBERSIDE PROJECT DEPLOYMENT STUDY

This is a first stage deployment project in the UK Government's Industrial Strategy Challenge Fund competition "Decarbonisation of Industrial Clusters" to assess the feasibility and scope of deploying green hydrogen with some major industrial partners in Humberside.



We aim to demonstrate to the UK Government, our industrial partners and the rest of the world the potential benefits of green hydrogen to the reduction of carbon emissions. This project will help to create a blueprint for cleaner industry that can be rolled out elsewhere.

Ben Madden

Managing Director, Element Energy

It will lead to the production of renewable hydrogen at the Gigawatt (GW) scale distributed to industrial energy users in Immingham. Decarbonisation of this cluster is critical in reaching the UK's legally binding 2050 net zero emission targets. Humberside, the UK's largest cluster by industrial emissions, (12.4Mt of CO<sub>2</sub> per year), contributes £18bn\* to the national economy each year and has access to a large renewable resource from offshore wind in the North Sea.

The project will work with customers in the region to establish the feasibility of switching to renewable hydrogen and justify a number of 100MW deployments of electrolyzers. The project will cost the supply of hydrogen to these end users. This includes the electricity supply to the electrolyser, the hydrogen production facility, hydrogen distribution across the Humber and conversion of existing processes to use renewable hydrogen.

\* <https://www.zerocarbonhumber.co.uk/wp-content/uploads/2019/11/Capture-for-Growth-Zero-Carbon-Humber-V4.9-Digital.pdf>

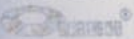


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# REVENUE STREAMS FOR THE GROUP

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 PEM electrolyser systems, selling to a range of customers and target markets globally. The Group offers standard containerised and modular large-scale solutions based around our core technology.

## 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 UK and EU bodies, which has helped accelerate infrastructure development for the provision of hydrogen to fleets and individuals.

## 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

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. Sales revenues in the year continued in the main to be generated across three build projects, providing electrolysers in each of our target markets. The last of the adjustments made on transition to IFRS 15 “Revenue from contracts with Customers” released from deferred income and recognised as revenue in the year (resulting in an increase of £10k).

Meanwhile, consultancy income rose from £0.07m in 2019 to £0.5m due to a design and proof of concept project commissioned by BEIS.

Fuel sales remained consistent at £0.37m (2019: £0.37m), in part hampered by the Covid-19 lockdown, despite continuing to provide hydrogen road fuel to emergency service workers.

New collaborative project funding recognised in the year was £2.046m. This funded research and data collection projects or subsidised proof-of-concept sales.

The pre-tax loss for the year under review increased to £29.52m (2019: £9.32m). This can be attributed to similar factors as last year; firstly, the ongoing installation of first-of-a-kind large scale plant 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; but also thirdly the effect of the Covid-19 lockdown on our ability to complete the handover of sales projects to site acceptance and recognise their revenue under IFRS 15. There was also the effect of IFRS 16 Leases as ITM Power entered into the new lease for Bessemer Park, increasing the amounts passing through the income statement, albeit now as depreciation and interest rather than rent (see note 2).

As set out in the Company's announcement for its half-year results, the financial year to 30 April 2020 does not yet reflect any of the benefits of the new arrangements with Linde. The challenges from certain legacy projects, including that of the Shell Refhyne project, result primarily from the EPC scope of work previously contracted. These challenges were recognised by the Board in 2019 and led to the creation of the investment partnership with Linde GmbH, a global, world-leading EPC partner. This diminishes the Group's exposure to future deployment risk, and allows ITM to focus further on developing its world-leading standard products. ITM Power will be conducting these projects through ITM Linde Electrolysis GmbH and the contracting process already benefits from the estimating, quotation and EPC delivery skills of Linde Engineering. [The investment agreement commits the Group to work exclusively with

ITM Linde Electrolysis GmbH for projects which have material EPC work included within it, further mitigating that risk.]

Net cash burn increased to £23.34m before fund raise (2019: £15.23m). Cash burn is a non-statutory measure the directors use to monitor the Group, and is calculated by deducting from annual cash flow (£34.73m) the effects of any equity fund raise (£58.07m). A key factor in this movement is that we have continued to invest in our future, as illustrated by the increase in the investment activities section of the cashflow statement from £3.5m in 2019 to £11.1m in the current financial year. Within this cash burn figure, there are the sums paid to date on our new building as it is remodelled and fitted out for operations in the next financial year.



## FINANCIAL POSITION

In the year, the Group capitalised development costs of £1.60m (2019: £0.38m). This was for developments in our product technology that will continue to keep the Group at the forefront of PEM electrolysis, as well as the continuing design of standard products and development of internal procedures that will facilitate our offering to the markets. The directors see continued product development as key to building commercial traction.

Despite a £5.4m impairment of our refuelling assets (explained in note 4), there was also an increase in fixed assets (excluding right of use assets) to £6.5m from £5.74m in the prior year. The uplift relates predominantly to the leasehold improvements at our new premises.

At year end, ITM Power Plc had current assets totalling £67.5m (2019: £38.3m). Funds in the bank totalled £41.0m (2019: £6.9m), of which amounts on guarantee totalled £1.1m (2019: £1.7m). 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 obtain sufficient monies up front to limit the adverse impact of increased activity on working capital.

Total receivables excluding restricted cash amounts have reduced from £29.5m (2019) to £22.1m. However, this balance is still 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 totalled £15.6m (2019: £22.5m), down 31%.

Trade debtors at both year-ends predominantly relate to grant income debtors (2020: £4.3m and 2019: £6.4m). At year end, the Group had trade creditors of £2.5m against a prior year balance of £3.4m. This number has decreased due to the timing of the Covid-19 lockdown.

Overall, creditors have decreased from £16.9m (2019) to £14.0m. The figure continues to be dominated by deferred income (£9.2m in the current year and £11.9m in 2019), which reflects both money received up front on 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.





## KEY FINANCIALS

A summary of the financial KPIs is set out in the table below and discussed in this section. This year's and last year's revenue figures are not comparable with prior years due to the change in accounting standard from IAS11 to IFRS15 in 2019, which did not require 2018 and prior numbers to be restated.

	2020
Total Projects income, being sales and grants receivable (as split below)	£5.35m
Of which: Sales Revenue	£3.29m
Of which: Grant recognised in the income statement	£2.47m
Of which: Grant recognised on the balance sheet*	(£0.42m)
Pre-tax loss	£29.52m
Projects Under Contract or in final stage of negotiation**	£52.4m
Property, plant and equipment plus intangible assets	£8.66m
Net Assets	£55.75m

\*Grant income recognised on the balance sheet includes grant income recognised against the cost of assets acquired and the movement on grant income receivable for assets paid on pro-forma terms but not yet delivered.

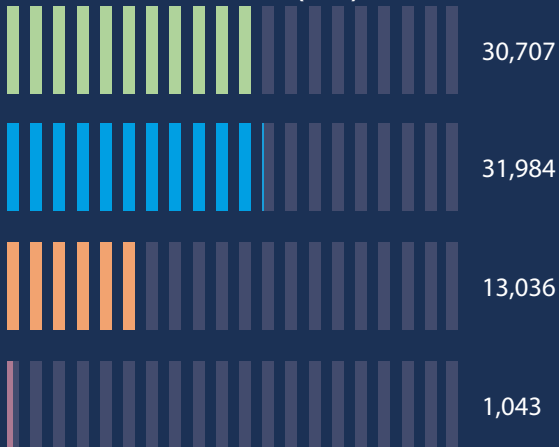
\*\*Contracts can take a period longer than 12 months to unwind through the accounts. In the year ended 30 April 2020, income recognised was £5.4m (2019: £17.6m) against a pipeline reported at the results announcement 2019 of £33.0m (2018: £30.6m). Therefore, of the contracted pipeline, the Group delivered on projects equivalent to 16% (2019: 58%) associated with the projects under contract or in the final stages of negotiation.

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.

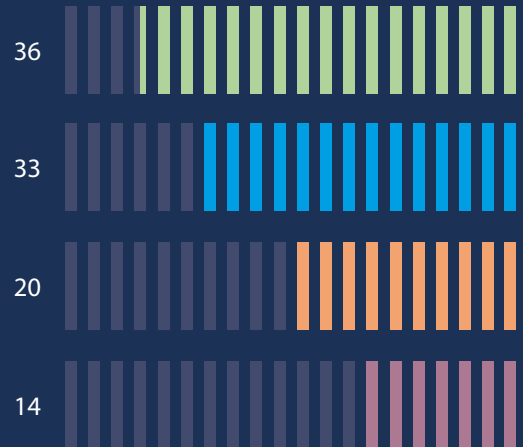
2019	2018	2017	2016
£17.56m	£14.11m	£9.23m	£8.19m
£4.59m	£3.28m	£2.42m	£1.93m
£7.23m	£4.14m	£4.16m	£3.19m
£5.74m	£6.68m	£2.65m	£3.07m
£9.32m	£6.48m	£3.55m	£4.36m
£33.00m	£30.64m	£35.46m	£16.32m
£6.41m	£4.81m	£4.90m	£3.28m
£26.21m	£35.59m	£13.07m	£11.64m

## NON-FINANCIAL KEY PERFORMANCE INDICATORS

### FUEL DISPENSED (KG)



### FUEL CONTRACTS SIGNED



● 2020 ● 2019 ● 2018 ● 2017

Given the early stage of the refuelling market, no expectations have been set with regards to KPI but prior years provide a baseline.

As predicted, the number of new fuel contracts has not continued in the same trajectory and will become a less important measure of the growth of the market for ITM Power. This is due to an increase in the number of vehicles on the road but under the umbrella of existing customer contracts and the uptake of private users rather than businesses.

## EVENTS AFTER THE BALANCE SHEET DATE

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

## OUTLOOK

Against an encouraging market backdrop ITM Power has made good progress in the period. The near-term outlook is well underpinned by the record contract backlog, which does not yet reflect the benefit of substantial opportunities being bid through ITM Linde Electrolysis GmbH, and highly qualified tender opportunity pipeline.

The Group has recognised that its strengths lie within in the development and manufacturing of electrolysers and the aim is now to consolidate on this within our new factory. The formation of the new company with Linde should allow us to maintain this focus, whilst also providing a strong outlet for our products and large-scale project capabilities, which is where ITM Power's ambitions lie in the size of the electrolysers it wants to produce.

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



# STRATEGY AND OBJECTIVES

ITM Power Plc has the following near and mid-term objective:

- **New territories:** ITM Power Plc has continued to expand its activities in Germany and also operates part of its payroll in France. Meanwhile, our Australian subsidiary is attracting interest from other territories in that part of the world, including New Zealand.
- **Product scale up and cost optimisation:** Our R&D activities continue to focus on the scale-up of systems and our ability to do this at lower costs.
- **Cash flow:** The Board are committed to the Group becoming cash-generative in the mid-term. In the short-term there will be a move to the new factory and as such cash flow is being closely monitored throughout the build/relocation phases.
- **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. Improved IT capacity has allowed budgets to be tracked more closely during the current financial year and greater discipline over budget management and change requests has been established with both Project Managers and Department Heads.
- **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. However, care has been taken over the past year to ensure that projects are not undertaken solely for their revenues but with due consideration to their fit with the other business objectives.

## 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 has subsidiaries in Germany, the US (California), and Australia, with sales representatives also covering France and Benelux.

Product development, and in particular upscaling of product offering, is being 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 has also been developing a suite of standard products that can meet many customer requirements, as well as further developing the concept of modular systems that can facilitate multi-MW solutions.

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 provide opportunities to build larger refuelling hubs for mixed use to drive hydrogen 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 3% decrease in hydrogen sales, to 31 tonnes in the year.

# PRINCIPAL RISKS AND UNCERTAINTIES

## Our approach to risk

There are a number of risks and uncertainties that have the potential to impact the execution of the Group's strategy, as well as its short-term results. The Executive Directors review the risks facing the Company, and the Board has identified those that are principal to its business. These are identified on this and the following pages.

## Risk management process

The Board is responsible for the risk framework and aims to ensure that the Group's ability to achieve its objectives outweighs its risk exposure. However, the Group's risk management programme can only provide reasonable, but not absolute, assurance that principal risks are managed to an acceptable level. The Executive Directors are responsible for identifying, managing and mitigating the risks to the Company. There is a monthly review process to assess risks at corporate level and projects specific risks are reviewed at project level. The Audit Committee reviews the processes and controls for ensuring material business risks are identified and managed appropriately.

## Covid-19

The ongoing pandemic, Covid-19, is considered by the management to heighten some of the short-term risks across the business. This includes risks relating to reliance on key personnel, the increased risk of suppliers and customers' default and revenue risk as the Group's product requires capital commitments from customers when many businesses are calling for conservatism. However, in the mid-term, the possibility of a greener recovery strategy is very positive for ITM. ITM Power successfully moved most its operations to work on a remote basis and has resumed operations which has mitigated this risk.



Key business risks and mitigations are considered to be related to Covid-19, Brexit, Technology and IP, Markets, Traction and Growth trajectory, People, Safety, Partnerships, and Legal and statutory risks, and are set out as follows:

Covid-19	
Description	Cash Consumption
Impact	The business continues to be in a cash consumption phase, as it seeks to accelerate and build capacity ahead of anticipated demand.
Assessment of change in risk year-on-year	Diminishing
Mitigation	The business will continue to develop robust controls and forecasting measures to allow any mitigation to be planned well in advance of any perceived shortage of liquidity.
Description	Key Man Risk
Impact	The Company has an executive team with many years' experience within the business. The impact of a departure of any member of staff could disrupt the operational activities of the business, as well as de-stabilising the share price.
Assessment of change in risk year-on-year	Increasing
Mitigation	The Company has implemented strict Covid measures which are in excess of government guidelines.
Description	Covid-19
Impact	Covid-19 causes the cessation of normal company function and forces staff into lock-down. This could im-pact our ability to pro-gress contracts, gener-ate revenues, creating higher potential for losses.
Assessment of change in risk year-on-year	Increasing
Mitigation	Staff that can work from home should aim to continue with business as usual. A continued review of what other work can feasibly be undertaken within the imposed restrictions could help to progress other hands-on aspects of ITM's operations from a Sheffield or UK base. Staff may be redeployed from their usual roles to others that can proceed, depending on skill sets. To mitigate the losses, ITM will seek any available subsidies to off-set overhead costs. Cash flow will continue to be monitored and debts chased, and future spend critically monitored.

Description	Credit risk
Impact	The risk that a counter party will default on its contractual obligations.
Assessment of change in risk year-on-year	Increasing
Mitigation	Our risk appetite with regards to customer and supplier credit ratings will be tested, with tighter control of working capital should any concerns be flagged.

Brexit	
Description	Credit risk
Impact	The risk that a counter party will default on its contractual obligations.
Assessment of change in risk year-on-year	Increasing
Mitigation	Our risk appetite with regards to customer and supplier credit ratings will be tested, with tighter control of working capital should any concerns be flagged.

Description	Brexit
Impact	Unknown post-trading Brexit arrangements may have impact.
Assessment of change in risk year-on-year	Static
Mitigation	Keep under review, with the Brexit Committee reporting to the management in a timely and regular manner.

Description	Loss of EU grant funding due to Brexit
Impact	ITM has previously been well-funded by EU sponsored programmes and the certainty of this pipeline may be impacted by the UK withdrawal from the EU.
Assessment of change in risk year-on-year	Diminishing
Mitigation	One option is to utilise the presence of an EU subsidiary company (ITM Power GmbH) or associate company (ITM Linde Electrolysis 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. Monitoring of available UK funds for UK projects to support any national strategy rollout and work with consultants to be aware of and apply for these funds.

Description	Brexit impact on exporting
Impact	Brexit may pose a risk to ITM as an exporter, and there is currently limited visibility of the likely trade deal that will emerge from Brexit negotiations.
Assessment of change in risk year-on-year	Static
Mitigation	ITM is in the process of considering a number of mitigating items for Brexit, not least taking advice on the likely impact of the 'greatest change' scenario. This shall inform as to how future sales are structured.

#### Technology and IP

Description	Introduction of new suppliers for technology change
Impact	As the company goes through an acceleration curve in terms of technology and production, supplier management becomes increasingly important. Whilst significant due diligence is undertaken on the new suppliers, until we have placed orders/received and tested the goods, we do not have a 100% guarantee that this will be a success. This could lead to delays on a project which could result in penalties.
Assessment of change in risk year-on-year	Diminishing
Mitigation	Increasing the robustness of the tender processes, contractual terms and quality assurance for new suppliers as they are onboarded. The company incorporates a robust lessons learned approach to challenges experienced and incorporate that into new RFQs and ITTs. The company will also appoint relationship managers to work collaboratively with new suppliers to ensure frequent communication, competitive pricing and terms, and quality is as required.

Description	Alternative technologies
Impact	Alternative technologies are adopted in preference to the Group's technology. The Group could struggle to gain market share or may find itself operating in a smaller market than is currently anticipated.
Assessment of change in risk year-on-year	Static
Mitigation	ITM's technology is considered to be superior to that currently on the market. Through continual analysis of the competitive landscape and targeted improvements in technology development ITM seeks to retain that competitive advantage.

#### Markets and Traction, Growth trajectory

Description	Pace of change and growth
Impact	The Business has ambitious growth plans, both with partners and independently, as well as seeking to be well placed for capacity growth in Bessemer Park and beyond. The pace of growth poses risks to supplier capability, quality, and scalability, and working capital management.
Assessment of change in risk year-on-year	Static
Mitigation	Working with Linde, the business has been able to secure better control of existing processes, and controls for scale ahead of demand. Management will further review the impact of increased demand on all processes in the business to assess control weaknesses.

Description	Market growth
Impact	The growth plans include offering standard products to more territories. As such, there are risks of compliance, contract risk, H&S and managing a global operation from the Sheffield HQ.
Assessment of change in risk year-on-year	Static
Mitigation	The development of a new Strategic business development advisory committee to advise the board of new applications and territories will be set up to approach the risk more carefully in line with growth plans.

Suppliers & Sub-contractors	
Description	Suppliers & Sub-contractors
Impact	As the business increases its capacity and delivery of products, it will have a greater reliance on third parties for installation and maintenance of kit, including a reliance on the expertise of its partners. Poor selection / management of suppliers & sub-contractors could lead to supply of sub-standard products or services.
Assessment of change in risk year-on-year	Static
Mitigation	Having employed a new Heads of Quality and Procurement and enhanced the procurement team as well as working with Linde, the business has been able to secure better control of existing contracts, and get support in further tenders to enable better supplier selection. Increasingly, the Procurement & QHSE departments are incorporating a framework for sub-suppliers to also adhere to quality and codes of conduct standards.

### People

Key Man Risk	
Description	Key Man Risk
Impact	The Company has an executive team with many years' experience within the business. The impact of a departure of any member of staff could disrupt the operational activities of the business, as well as destabilising the share price.
Assessment of change in risk year-on-year	Static
Mitigation	The Board has formally considered succession planning as part of the board evaluation in 2020 and will keep this under review.

### Partnerships

Assets: Loss of intellectual property rights and/or competitive advantage in technology	
Description	Assets: Loss of intellectual property rights and/or competitive advantage in technology
Impact	Working an increasing range of partners together with additional staff, mean that there is greater risk of inappropriate information sharing, risking the protection of ITM Power trade secrets and proprietary technology.
Assessment of change in risk year-on-year	Increasing
Mitigation	The company has an agreed IP management policy, and will manage this internally, ensuring the scope of the Technology Strategy Management Committee is consistent with this policy. The company is also rolling out training to staff to support this aim.

Description	Over-reliance on single customers
Impact	In setting up a framework agreement with Linde Group companies, the Group has a route to market for a number of channels, in a truly global market. There is a risk of developing an over-reliance on one party for the majority of revenues.
Assessment of change in risk year-on-year	Increasing
Mitigation	Maintain an open approach to further partnerships, and customers, and internally monitor the level of dependence on single customers. Ensure that terms are set in advance to prevent contract 'creep' with any increased dependence.

#### Legal and Statutory

Description	IP Protection
Impact	There is a risk that the company may have a breach of IP.
Assessment of change in risk year-on-year	Increasing
Mitigation	The current mitigation plan is to patent the core processes of the company, but also to avoid markets where reverse engineering seems a likely outcome.

Description	Compliance with regulatory requirements including market abuse regulations, competition law and other regulatory requirements.
Impact	The Company's increasing size, scale up of operations and increased staff numbers require continuing development in its compliance programmes to match the pace of change. Working with Linde in joint venture and increase in scale-up means significant care needs to be taken to ensure sharing information is conducted in compliance with competition law. In worst case, fines can be imposed and other remedies, if there is a breach.
Assessment of change in risk year-on-year	Increasing
Mitigation	The Company takes its compliance responsibilities seriously. There is a top-down commitment from Board level on compliance. The Company has a compliance programme focussing on key areas. This includes policies, processes and training.

Description	Operating in different fiscal territories
Impact	As the Group expands, ITM Power will need to ensure that they conduct their operations in a way that conforms with statutory requirements of the tax authorities of those countries. Issues to note involve: proper treatment of transactions for VAT, transfer pricing, head office charges and group loss treatments. Incorrect treatment in one of those areas could lead to unforeseen costs together with penalties and could lead to greater scrutiny of all the operations of the business within that territory over a period of years.
Assessment of change in risk year-on-year	Increasing
Mitigation	ITM Power have sought professional advice on transfer pricing/ group recharges to date and will look to formalise their policies ahead of reaching de minimis levels. For VAT treatments, ITM will need to continue to review its operations in foreign countries and manage the work performed there. A robust process will be implemented to ensure risks are mitigated early with new contracts and services offered in new territories.

# 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 sounder 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 Q3 2021, to incorporate all operations within the Group.

The management systems are being reviewed throughout the business to ensure that ITM are ready for the business expansion in the new facility as part of the accreditation process, identifying both systems and people development opportunities as we develop lean processes to exceed customer expectations.

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 working with a charity partner from our local area to support the furnishing of Bessemer Park. The company also set up a charity committee to match funds raised by employees for charitable causes.

## Disabilities

ITM Power are committed to promoting equality opportunity for all staff and job applicants. We aim to create a working environment in which all individuals are able to make best use of their skills, free from discrimination or harassment, and in which all decisions are based on merit. The measures we take to implement the principle of non-discrimination have been devised on the basis of advice from the relevant governmental and professional bodies.

We positively encourage applications from suitably qualified and eligible candidates regardless of disability, and we aim to ensure no job applicant receives less favourable treatment, and individuals are treated on the basis of their relevant merits and abilities.

In the event an existing employee is or becomes disabled all efforts would be made by the Group to support the employee and their continued service. We may consult with medical advisers, and where possible make necessary reasonable adjustments.

The principle of non-discrimination and equality of opportunity applies equally to the treatment of former employees, visitors, clients, customers and suppliers by members of our current workforce.

## Employee consultation

ITM Power are committed to providing information and instruction on all matters affecting employees, as well as consulting with them regarding any factors affecting the performance of the Group. The Group places considerable value on involvement of its employees and aims to continually keep them informed on relevant matters, and we promote a culture of open communications, participation and encouragement.



Consultation is achieved through formal meetings where legislation requires. Employee representatives are utilised to consult on a wide range of matters affecting current and future employee interests. Informal meetings, companywide emails, an employee newsletter and suggestions boxes are also utilised for wider participation.

#### Employee well being

ITM Power employees will have access to an Employee Assistance Programme (EAP) run by Health Assured. The Employee Assistance Programme is a wide range of services that an ITM Power employee can access without cost, and totally confidentially.

Health Assured offers:

- Unlimited access to counselling
- Legal information
- Bereavement support
- Medical information
- CBT online

#### 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 additional to statutory employee benefits including a cycle scheme, child care vouchers, and an employee discounts platform.

All employees are also given appropriate access to training to enable them to fully and safely perform their roles, and to progress within the organisation.

All employment policies are accessed via our employee handbook, and these are consistently reviewed to ensure compliance and relevance.



# GOING CONCERN

The directors have prepared a cash flow forecast for the period ending 30 November 2021. This forecast indicates that the Group and parent company would expect to remain cash positive without the requirement for further fund raising based on delivering the existing pipeline, for a period of at least 12 months from the date of approval of these financial statements.

With the uncertainty created for the economy by Covid-19, this cash flow forecast has also been stress tested in the following ways: all payments continuing as normal while receipts are delayed by six months, or receipts are not received at all. In both scenarios the business remained cash positive for the full twelve months. It is true that in this last scenario, careful management of resources will be required to ensure that the right progress is made on projects in order to reach payment milestones and receive payment for these activities.

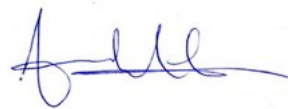
However, to date the Group has not experienced any significant difficulties in receiving payments due from customers so the worst-case scenario looks unlikely to materialise.

In contracts that include installation and commissioning, the company will have aligned payment milestones with on-site completion of certain works. As such, the dynamic nature of border controls during Covid, as well as quarantining when travelling will need particular attention to maintain cash flows

As project timings are stretched due to challenges of on-site work, it will also be increasingly important to monitor and control outgoings, especially with the close-out of legacy projects without further over-runs remaining a high priority. Notwithstanding the above, the business expects to continue to be viable through to the start of the 2022 calendar year.

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

Approved by the Board and signed on its behalf by:



Andy Allen  
ITM Power Plc, Director

Date: 22 October 2020



STB +VE  
POSITIVE  
STACK TERMINAL  
BOX

STB -VE  
NEGATIVE  
STACK TERMINAL  
BOX

Single MPF Distribution Stack  
See Note 2 (Distribution Stack)  
Single MPF Distribution Stack  
See Note 2 (Distribution Stack)

Stack Terminal Box  
Single MPF Distribution Stack  
See Note 2 (Distribution Stack)

Stack Terminal Box  
Single MPF Distribution Stack  
See Note 2 (Distribution Stack)

LIFT ARM TO CLOSE

# S172 STATEMENT

The Directors are required by the Companies Act 2006 to act in the way they consider, in good faith, would be most likely to promote success of the Group for the benefit of its shareholders as a whole and in doing so are required to have regard for the following:

- the likely long- term consequences of any decision;
- the interests of the Group's employees;
- the need to foster the Group's business relationships with suppliers, customers and others;
- the impact of the Company's operations on the community and the environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct; and the need to act fairly as between shareholders of the Company.

In September 2018 the Group adopted the Corporate Governance Code for Small and Mid-Size Quoted Companies from the Quoted Companies Alliance (the "QCA Code"). The QCA Code is an appropriate code of conduct for the Group's size and stage of development. There is a discussion of how the Group applies the ten principles of the QCA Code in support of its growth on the Group's website, and on page 74 of this report.

The Group's activities, strategy and future prospects are discussed in the Strategic Report, beginning on page 25.

The Board considers its major stakeholders to be its employees, its suppliers, customers, partners, and shareholders. When making decisions, the interests of these stakeholders is considered both formally and informally as part of the Board's group discussions, depending on the likely impact of these decisions.



The Board has a good relationship with the Group's employees. The Board maintains constructive dialogue with employees through the Executive Directors, and through various visits to meet senior management throughout the year. Appropriate remuneration and incentive schemes including bonuses and commissions are maintained to align employees' objectives with those of the Group. The business also has an employee newsletter, employee engagement initiatives, a charity committee and a social committee to ensure employees feel they are contributing to the progress of the Group.



The Board ensures that the Group endeavours to maintain good relationships with its suppliers by contracting on reasonable business terms and paying them promptly within those agreed terms. We meet with our significant suppliers regularly and where required audit their activities to ensure that materials are delivered effectively in a timely and cost-efficient manner. We aim to offer fair contracts with longer term visibility to provide stability to their business in return for competitive pricing. These principles ensure that the Group's and our significant suppliers' interests are aligned.

The Executive Directors meet major existing and prospective customers and encourage a dialogue with them and with the territory business development team as appropriate.

The Executive Directors maintain a close dialogue with all partners to the business, such as Linde, Shell, Orsted, and others and ensure that expectation in ongoing and prospective projects are being met.

The Board does not believe that the Group has a significant impact on the communities and environments within which it operates. The Board recognises that the Group has a duty to be a good corporate citizen and is conscious that its business processes minimise harm to the environment, and that it contributes as far as is practicable to the local communities in which it operates.

The Board recognizes the importance of maintaining high standards of business conduct. The Group operates appropriate policies on business ethics and provides mechanisms for whistle blowing and complaints, which are reviewed annually by the audit committee as part of a rolling programme.

The Board endeavours to maintain good relationships with its shareholders and treat them equally. It maintains a number of ways in which shareholders can get in touch with the company, seeks to send out newsletters monthly to all stakeholders including shareholders, and the Chief Executive ensures a consistent dialogue with shareholders through presentations and webinars.

One major decision taken in the year was the investment in the company by Linde, and the associated formation of a Joint Venture. The table below illustrates how the Board considered different appropriate stakeholders in recommending the investment.

# S172

## STATEMENT (CONTINUED)

<p>Employees</p>	<p>The Board considered the impact on employees of the JV, and the possibility of career progression for senior members of staff into the JV</p> <p>The Board considered the Linde investment to put the company on a stronger, longer term footing to give employees greater knowledge of the future of the company. To this end, the executive team presented to the workforce on the day of the announcement and held a “town hall” event to answer questions</p>
<p>Customers and Partners</p>	<p>In structuring the JV, and the Investment, the Board considered that the business should not exclude the ability to do business with existing partners, and sought to ensure the deal was complementary. In this manner, by making the strategic decision to offer EPC services of Linde through the JV, it ensured a higher level of service and a full turnkey solution could be offered to customers and partners.</p>
<p>Shareholders</p>	<p>The Board considered the impact of the investment on other shareholders, and aimed to ensure a fair price was reached so that the recommendation to shareholders was positive. The Board ensured that major non-institutional shareholders were consulted through the roadshow.</p> <p>The Board also enlisted a third party to help publicise the decisions being taken at EGM to ensure a high level of engagement, and after the formal business of the EGM the Chief Executive presented and the full Board stayed to take questions and discuss with shareholders.</p>



# 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 2020.

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.

## Substantial shareholdings

On 30 April 2020 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
Linde AG	20.1%	95,000,000
JCB Research	9.3%	44,209,780
Allianz Global Investors	5.0%	29,404,525

## Dividends

The directors do not recommend a dividend payment for the year (2019: £nil).

## Research and development

During the year the Group incurred research and development related costs of £2.30m (2019: £2.33m). A description of the activities undertaken can be found under the heading of "Products and Technology" within the Strategic Report

## Branches outside the UK

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

## Capital structure

Details of the group's capital structure are provided in notes 23 and 33 to the financial statements.

## Charitable and political contributions

During the year, the Group made charitable donations of £371 (2019: £nil). The company made no political donations in either year.

## 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 2020,



the trade creditors balance equated to -217 days (2019: -262 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, as well as (in some cases) ITM electing to pay a larger balance up front in line with grant claim periods.

#### 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.

#### Future developments and post balance sheet events

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

#### 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  
Dr R Smith  
Mr A Allen

Mr M Green (appointed 16/09/2019)  
Mr J Nowicki (appointed 1/11/2019)  
Mrs K Roe (appointed 6/05/2020)  
Lord R Freeman (resigned 3/10/2019)  
Prof R Putnam (resigned 31/10/2019)  
Mr R Pendlebury (resigned 31/07/2020)

#### 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.

## DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Strategic Report and Directors' Report, and the financial statements in accordance with applicable law and regulations.

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

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

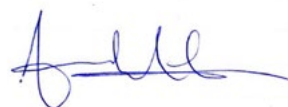
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies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

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as directors in order 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:



Andy Allen  
ITM Power Plc, Director

Date: 22 October 2020



# CORPORATE GOVERNANCE REPORT

## Principles of corporate governance

ITM Power PLC (“ITM Power” 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 considered that the most appropriate code for ITM Power to adopt, based on its development, sector and size, is 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 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 and on the ITM Power website*
Principle 2: Seek to understand and meet shareholder needs and expectations	On the ITM Power website*
Principle 3: Take into account wider stakeholder and social responsibilities and their implication for long term success.	In the section 172 statement of the Annual Report and on the ITM Power 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 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 Chair of the Company undertook a formal Board evaluation in early 2020 which considered the composition of the Board, including the diversity and gender balance. Further details are provided on the ITM Power website*
Principle 7: Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement	<p>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.</p> <p>As set out above, a formal Board evaluation was undertaken this year.</p>
Principle 8: Promote a culture that is based on ethical values and behaviours	On the ITM Power 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 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 website* and in this corporate governance report

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

The Company has a dealing policy and dealing code that applies to all employees. This enables the Company and directors to comply with Rule 21 of the AIM Rules relating to directors' and appropriate employee dealings as applicable to AIM companies. All employees are provided with access to the dealing policy and dealing code and have access to the Company Secretary in the event of any questions.

## The Board

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

Director	Role	Remuneration Committee	Audit Committee	Nominations Committee	Executive Committee	Technology
Dr S Bourne	Chief Technology Officer				•	•
Dr G Cooley	Chief Executive Officer			•	•	
Dr R Smith	Executive Director				•	•
Mr A Allen	Executive Director				•	•
Sir R Bone	Non-Executive Chairman	•	•	•		
Mr R Pendlebury	Non-Executive Director					•
Mr J Nowicki	Non-Executive Director					•
Mr M Green	Non-Executive Director	•	•			
Mrs K Roe	Non-Executive Director	•				

### 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, but this is being kept under review as the Group grows in size and complexity. 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 5 regular meetings in the year ended 30 April 2020, with additional meetings 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	3	3
<b>Non-Executive Directors</b>			
Lord R Freeman	1	-	-
Prof R Putnam (Chairman)	2	2	-
Sir R Bone	5	3	3
Mr R Pendlebury	3	-	-
Mr M Green	4	1	3
Mr J Nowicki	3	-	-
<b>Executive Directors</b>			
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 lead an evaluation of the performance of the Board in Q1 2020. The last review concluded that the Board and its Committee are currently effective and each Director continues to demonstrate commitment to their role. Further details are provided on the website under the QCA code disclosures.

### 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](http://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 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 Technology Management Committee comprises Juergen Nowicki, Robert Pendlebury, and Simon Bourne, with technical staff from departments within the company, as well as a nominee from ITM Linde Electrolysis GmbH in attendance. 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

Dear Shareholder,

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for the year-ended 30 April 2020.

This has been a challenging year with the impact of Covid-19. I am proud of the way that the organisation has responded. This has demonstrated the resilience of ITM Power and its operational flexibility, throughout the workforce and the management team. Where teams could not undertake normal operational work due to Government restrictions, they have worked flexibly to ensure development and business continuity. Whilst Covid-19 has had an impact on the ability of the business to conclude commissioning work with client sites shut and a corresponding impact on revenue recognition, the business has been able to continue to do substantial work and business development throughout the period. While a portion of our workforce were furloughed as they could not be re-deployed in the height of the lockdown period in March to June, ITM Power topped up furlough payments to ensure that all members of staff received their full salaries. The business has continued to grow despite the challenges and has now resumed planned recruitment.

The Remuneration Committee's focus is to ensure that remuneration is fair, appropriately rewards performance and aligns the interests of the Executive Directors with those of shareholders. It is also paramount that the Remuneration Committee ensures the Company retains key talent at the executive level.

The Remuneration Committee has undertaken considerable work over the last few years to further the long-term interests of shareholders. As a result of this review, a number of work streams have taken place including:

- Undertaking a detailed review of the terms of reference of the Remuneration Committee and changing the composition to better reflect the requirements of the QCA Code on Remuneration Committees.
- Considering the right replacement for the Company's 2010 Share Incentive Scheme which expired in April.
- Increasing the quantitative and therefore objective nature of bonus performance metrics for 2019/2020 and 2020/21 and aligning with the Company's corporate objectives for 2020/21.
- Instructing an independent benchmarking exercise to review all aspects of the remuneration strategy for the Board of Directors for both Executive Directors and Non-Executive Directors to formulate the remuneration strategy for 2020/21 onwards.

As a result of this comprehensive review, the Committee is satisfied that the remuneration structure and outcomes in respect of the incentives and remuneration during the financial year under review are appropriate, fair and adequate to retain key talent.

During 2019, the composition of the Board of Directors was subject to considerable change and strengthening. This year saw the retirement of two Non-Executive Directors, Lord Roger Freeman and Roger Putnam, the previous Chair of the Board. The Board appointed three new Non-Executive Directors, Martin Green, Juergen Nowicki and Katherine Roe (the latter arriving post year-end). I was appointed as Chair of the Board in October. In addition, Andy Allen stepped down from his role as Company Secretary and was replaced by Nicola Ham Edmonds.

These changes also led to changes across the structure of the Board Committees. Martin Green was appointed to the Remuneration Committee (in addition to his role as Chair of the Audit Committee). Upon her appointment to the Board, Katherine Roe joined the Remuneration Committee and, with effect from 1 July 2020, took on the Chair of the Remuneration Committee. From that point, I have been able to step down both as Chair and as a member of the Remuneration Committee, in order that the Remuneration Committee can be comprised of independent Non-Executive Directors and without the Chair of the Board in line with the QCA guidance.

The main changes adopted in the financial year to 30 April 2020 related to quantitative targets being set in determining the bonus performance metrics for the year. The Committee will continue to review the Company's remuneration policy and practices to ensure that they remain appropriate for the Company at its given stage of development.

On behalf of the Board, I would like to thank shareholders for their continuing support.



Sir Roger Bone

Chairman, Remuneration Committee

#### Committee Members

During 2019/20

Sir Roger Bone (Chair)  
 Roger Putnam (Until October 2019)  
 Lord Roger Freeman (Until October 2019)  
 Martin Green (Since December 2019)

Post year-end

Katherine Roe (Since May 2020, Chair  
 from July 2020 when Roger Bone retired  
 from the committee)

### Main Roles and Responsibilities of the Committee

- Determine and agree with the Board the framework or broad policy for the remuneration of the Company's Chair and the Executive Directors;
- Ensuring such remuneration supports the Company's strategy and promotes long-term sustainable success;
- Approve the design of, and determine targets for, any performance related pay schemes operated by the Company and approve the total annual payments made under such schemes;
- Review the design of all share incentive plans for approval by the Board and determine each year whether awards will be made to Executive Directors and other senior executives and the performance targets to be used;
- Ensure that contractual terms on termination for the Executive Directors, and any payments made, are fair to the individual, and the Company, that failure is not rewarded and that the duty to mitigate loss is fully recognised;
- Assess annually the remuneration trends across the Group; and
- Be responsible for the appointment and selection for any remuneration consultants who advise the Committee.

### Remuneration Policy

The Group's remuneration policy has been reviewed to ensure that overall remuneration is set at a competitive level against the Company's peer group thus enabling the Company to attract and retain high-calibre employees with the requisite skill-sets required to execute the Company's strategy. To support the Company's strategy and promote long-term sustainable success, the Remuneration Committee takes into account all factors to:

- ensure executive remuneration is aligned to the Company's purpose and values, clearly linked to the successful delivery of the Company's long-term strategy, and that enable the use of discretion to override formulaic outcomes and to adjust sums or awards under appropriate specified circumstances;
- attract, retain and motivate the executive management of the Company without inappropriate financial burden on the Company; and
- consider the requirements for clarity, transparency, risk mitigation, predictability, proportionality and alignment to culture.

## Executive Director Policy

## Base Salary

## Purpose and link to strategy

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.

## Operation

- Base salary is reviewed annually. In 2019/20, this took place in October, to consider the Directors' performance, individual responsibilities and experience. The salary increases were backdated to 1 July 2019.
- Salary increases were awarded to reflect changes in role or responsibility and the standard increase across the employees of the Group.
- Since the end of the financial year, the Committee has undertaken an exercise to obtain and review independent benchmarking based on peer group comparators companies' remuneration.

## Performance related bonuses

### Purpose and link to strategy

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.

- In 2019/20, the objectives were set by the Remuneration Committee focusing on 100% quantitative metrics.
- The review of 2018/9 was postponed until after the successful completion of the fundraising and shareholder consent in October 2019.
- The performance metrics are aligned to the Group's strategy and focus on performance in year in order that over the long term, the Group can achieve its objectives.

### Operation

- At the end of each year the Committee uses its judgement to determine whether the performance metrics have been achieved.
- The maximum level of performance related bonus for Executive Directors is capped as set out in the table below.
- The Committee retains discretion, in exceptional circumstances only, to increase beyond this.
- Payment of bonuses is discretionary and is paid in cash following the year-end.

## Maximum Bonus available %

2020

Graham Cooley	100%
Simon Bourne	60%
Rachel Smith	40%
Andy Allen	40%

## Pension provision

### Purpose and link to strategy

The current policy provides a pension contribution to the Executive Directors in line with all staff in the Group.

### Operation

- 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 cash contribution of £28,000 in lieu of a pension contribution. This is compliant with legal requirements with both the employee and employer making contributions under automatic enrolment provisions.

## Benefits

### Purpose and link to strategy

To provide competitive cost-effective benefits to assist in attracting and retaining the employees across the Group.

### Operation

- All employees benefit from life assurance of four times salary.

## LTIP

## Purpose and link to strategy

To attract and retain the calibre of Executive Directors and senior management required to implement and realise the Company's long-term strategy. The LTIP is intended to align the Executive Directors interests with the long-term interests of shareholders. The last awards under the 2010 scheme were based on awards at market value, rewarding the Executive Directors where the share price increased over time, aligning with shareholder interests.

The Company's long-term incentive plan ("LTIP") expired in April 2020 and a replacement scheme is currently in early stages of development at the end of the financial year which is to be made available for all staff. This is expected to move the focus to awards with vesting based on performance targets linked to long-term shareholder interests.

## Operation

- The LTIP was approved by the Board in April 2010.
- The Committee has made awards where it has been considered appropriate. In 2019/20, the Company made awards to the Executive Directors in October. The awards were at market price on the date of award.
- The Company's 2010 LTIP has now expired and no further awards can be made under it. As at the end of the financial year, an all staff long term incentive scheme was under initial development which is expected to include the Executive Directors.

## Service Contracts and change of control provisions

Each Executive Director has a signed service contract that terminates on 12 months' notice.

The Directors' service contracts are available to view at the Company's registered office and prior to each AGM at the venue for the meeting.

## Termination of employment

Each Executive Director's service agreement includes the right of the Company to terminate the agreement and make a payment of basic salary in lieu of the notice period.

There are no contractual rights to additional compensation at termination.



Under the Company's Articles of Association, the Board can set the level of Non-Executive Directors remuneration. This is delegated to the Chief Executive Officer and the Chair of the Board. The Chair of the Board's remuneration is set by the Remuneration Committee.

## Fees

### Purpose and link to strategy

Fees are set at a competitive level to attract and retain high-calibre Non-Executive Directors who collectively bring the required skill-set to the Board to support the Executive Directors and guide the Company to achieve its objectives.

### Operation

- No director is involved in decisions setting their remuneration.
- Fees for the Chairman are determined by the Remuneration Committee.
- Fees for other Non- Executive Directors are determined by the Chief Executive and Chair of the Board.
- The Board has regard to the level of fees paid to Non-Executive Directors of comparator companies similar to the Company and the time commitment and responsibilities of the role. A benchmarking exercise has been undertaken since the end of the financial year.
- One of the changes in the period relates to the remuneration of the chair of the Company. The chairmanship of the Company changed in Autumn 2019. A new fee structure for the role of the Chair was put in place as part of that change to better align with best practice and ahead of a formal benchmarking exercise.
- Additional consultancy work was undertaken by Roger Putnam on behalf of the Company for a short period after his retirement as chair and non-executive director, for which an additional fee of £73,000 was paid. This work is now complete .

## Performance related bonuses

Non-Executive Directors do not participate in a bonus scheme.

## Pension provision

Non-Executive Directors are not paid a pension contribution.

## LTIP

Non-Executive Directors do not participate in the LTIP Scheme.

### Key activities in the financial year 2019/2020

- Undertook a detailed review of the terms of reference of the Remuneration Committee and changing the composition to better reflect the requirements of the QCA Code on Remuneration Committees.
- Started to develop a replacement for the Company's 2010 LTIP which expired in April 2010.
- Set the bonus metrics for the Executive Directors for 2019/20.
- Agreed the remuneration package for each Executive Director in October 2019, backdated to 1 July 2019.
- Agreed the bonus payable for the year 2018/9 and in May, for the year 2019/20.
- Increasing the quantitative nature of bonus performance metrics for 2019/2020,
- Instructed an independent benchmarking exercise to review all aspects of the remuneration strategy for both Executive Directors and Non-Executive Directors to formulate the remuneration strategy for 2020/21 onwards.
- Revised base salaries and fees as a consequence of the benchmarking exercise.

The Company Secretary acted as secretary to the Committee. Other directors attended Committee meetings at the invitation of the Committee and as appropriate.

### External Advice

Ernst and Young was appointed to undertake an independent benchmarking exercise at the start of June 2020.

### Directors Remuneration during the year ended 30 April 2020

#### Total Remuneration of Executive Directors

The table below reports a single figure total remuneration for each Executive Director during the year:

	2019-20	£'000's
Executive Directors		
Dr S Bourne		243
Dr G Cooley		346
Dr R Smith		154
A Allen		137
Aggregate emoluments		880

For comparatives and more detailed information, please refer to note 8 of the consolidated accounts.

### Annual Bonus of the Executive Directors

The Remuneration Committee awarded a bonus to each Executive Director in recognition of the achievement of certain quantitative and qualitative performance metrics. Details of the current year bonus awards are explained below.

The following key objectives had been agreed with the Executive team for the financial year-ending 30 April 2020:

- Financial objectives: quantifiable targets relating to revenue and other key financial targets which the Committee considers commercially sensitive
- Operation targets: quantifiable targets relating including the completion of the Company's new facilities at Bessemer Park.
- Business development objectives: quantifiable targets which the Committee considers commercially sensitive.

In determining the bonus award, the Remuneration Committee considered progress on the contracts pipeline, the effect of the Covid-19 pandemic on the results for the year just ended, the progress of the new company, ITM Linde Electrolysis GmbH ("ILE") and updates received by the Board on the performance metrics. Where targets were met, the full percentage was awarded, where targets were close or impacted in large because of Covid-19, a proportion has been awarded. For those targets where targets were missed substantially, no award was made.

The targets were intended to be binary in their nature rather than progressive, but Remuneration Committee wanted to recognise the work of the Executive Team where the work has been largely completed or, where a target was revised during the year with Board approval. The total percentage of the available bonus pool that has been awarded is 55.5%.

The Remuneration Committee also considered the impact of Linde's £38m investment in ITM Power Plc, which was completed in October 2019 and was outside the parameters of the bonus structure as set out in the previous year. This has had transformational impact on the Company and the Remuneration Committee agree with the assessment that our investment in ILE is expected to increase significantly the opportunities and markets in which the Company can participate and to materially increase the Group's volume of electrolyser sales.

The Remuneration Committee reflected that since the fundraising, the share price has improved from the fund raise of 40p and has fluctuated between 100p and c.160p in the first few months of 2020, creating significant shareholder value for holders.

As a result of this exceptional performance, the Remuneration Committee agreed that each Director receive a special bonus of 33% of their salary for the successful fundraising and the formation of ILE.

The awards were made as follows:

Director	Reference salary	Potential Bonus	2019-20 Performance targets *	2019-20 Exceptional bonus**	Total £
Graham Cooley	239,150	100%	55.5%	33.0%	211,648
Simon Bourne	182,825	60%	55.5%	33.0%	121,213
Rachel Smith	123,600	40%	55.5%	33.0%	68,227
Andy Allen	115,500	40%	55.5%	35.3%	66,429

\*This award is a percentage based on the total potential bonus pool.

\*\*This award is a percentage of the total salary.

These bonuses have been accrued in the current financial year but will be paid post year-end and therefore do not form part of the current year directors' remuneration figures reported earlier in this report.

#### LTIP Awards granted during the financial year

LTIP awards were granted to the Executive Directors for the financial year ending 30 April 2020 during October 2019 as set out in the table above. The LTIP awards were made at market price at the time of award.

Director	Date of award	Number of options awarded	Exercise Price
Graham Cooley	24 October 2019	307,500	0.48
Simon Bourne	24 October 2019	159,750	0.48
Rachel Smith	24 October 2019	72,000	0.48
Andy Allen	24 October 2019	47,250	0.48

The key features of the 2019 LTIP awards are as follows:

LTIP awards were granted to the Executive Directors for the financial year ending 30 April 2020 during October 2019 as set out in the table above. The LTIP awards were made at market price at the time of award.

- These were unapproved options under the 2010 scheme;
- The award is in the form of conditional rights to ordinary shares at market price;
- The options vest in full on the third anniversary of the award;
- The award value was based on a calculation that each Executive Director would receive a target reward if the share price had increased by 40% over a three-year period. The target reward was gross proceeds based on a percentage of salary between 7% and 24% of the Executive director's salary at the time of award.

### LTIP Options held by directors in financial year

Under the 2010 EMI and Unapproved Share Option Scheme, 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 held at year-end by directors who served during the year are as follows:

Director	Scheme	Options at 1 May 2020	Grant Date	Last Vesting Date	Expiry Date	Exercise price (£)
A Allen	EMI	16,666	23/03/2011	22/03/2012	22/03/2021	£0.5450
A Allen	EMI	16,666	23/03/2011	22/03/2013	22/03/2021	£0.5450
A Allen	EMI	16,668	23/03/2011	22/03/2014	22/03/2021	£0.5450
A Allen	Unapproved	333,333	14/08/2018	14/08/2019	13/08/2028	£0.3000
A Allen	Unapproved	333,333	14/08/2018	14/08/2020	13/08/2028	£0.3000
A Allen	Unapproved	333,334	14/08/2018	14/08/2021	13/08/2028	£0.3000
A Allen	Unapproved	47,250	24/10/2019	23/10/2022	23/10/2029	£0.4800
Dr G Cooley	EMI	250,000	19/07/2012	19/07/2012	18/07/2022	£0.5000
Dr G Cooley	Unapproved	800,000	24/01/2011	24/01/2011	23/01/2021	£0.6675
Dr G Cooley	Unapproved	750,000	06/08/2014	06/08/2014	05/08/2024	£0.2650
Dr G Cooley	Unapproved	1,000,000	14/08/2018	14/08/2019	13/08/2028	£0.3000
Dr G Cooley	Unapproved	1,000,000	14/08/2018	14/08/2020	13/08/2028	£0.3000
Dr G Cooley	Unapproved	1,000,000	14/08/2018	14/08/2021	13/08/2028	£0.3000
Dr G Cooley	Unapproved	307,500	24/10/2019	23/10/2022	23/10/2029	£0.4800
Dr R Smith	Unapproved	416,666	14/08/2018	14/08/2019	13/08/2028	£0.3000
Dr R Smith	Unapproved	416,667	14/08/2018	14/08/2020	13/08/2028	£0.3000
Dr R Smith	Unapproved	416,667	14/08/2018	14/08/2021	13/08/2028	£0.3000
Dr R Smith	Unapproved	72,000	24/10/2019	23/10/2022	23/10/2029	£0.4800
Dr S Bourne	EMI	123,596	24/01/2011	24/01/2011	23/01/2021	£0.6675
Dr S Bourne	EMI	100,000	01/08/2012	01/08/2012	31/07/2022	£0.4988
Dr S Bourne	Unapproved	250,000	06/08/2014	06/08/2014	05/08/2024	£0.2650
Dr S Bourne	Unapproved	276,404	24/01/2011	24/01/2011	23/01/2021	£0.6675
Dr S Bourne	Unapproved	583,333	14/08/2018	14/08/2019	13/08/2028	£0.3000
Dr S Bourne	Unapproved	583,333	14/08/2018	14/08/2020	13/08/2028	£0.3000
Dr S Bourne	Unapproved	583,334	14/08/2018	14/08/2021	13/08/2028	£0.3000
Dr S Bourne	Unapproved	159,750	24/10/2019	23/10/2022	23/10/2029	£0.4800
Lord Freeman	Unapproved	50,000	08/08/2011	08/08/2011	08/08/2021	£0.3100

### Total Remuneration of Non-Executive Directors

The table below reports remuneration for each Non-Executive Director

2019-20	£'000's
Non-Executive Directors	
Prof R Putnam	242
Lord Freeman	19
B Pendlebury	-
M Green	30
J Nowicki	-
R Bone	58
Aggregate emoluments	349

For comparatives and more detailed information, please refer to Note 8 of the consolidated accounts.

## Implementation of Director Remuneration Policy for 2020/21

### Executive Directors

#### Base Salary

Base salary reviews for the Executive Directors and senior management were undertaken in June and will be subject to further benchmarking exercises in 2021 and 2022.

#### Operation

The benchmarking exercise was undertaken against comparative peer companies present in the UK in the industry and against a peer group based on an average three-month rolling market cap (March to May 2020). At the point of salary review, the average market cap was significantly lower than the actual market cap. The comparator group and the data were considered in depth to be sufficiently robust and appropriate for the Company.

The benchmarking report identified that the current levels of executive remuneration materially lag those in its comparator group including at its lowest quartile. The Remuneration Committee is cognizant that shareholders would expect care and discretion to be used in judging to what extent, and over what timeframe, adjustments should be made, with longer timeframes expected for more substantial increases. The Remuneration Committee is mindful of its strategy set out at the start of this report including the need to ensure its policy remains competitive and retains key talent. The Remuneration Committee recognises the performance of the management team and the transformative year including the successful fund raise, establishing the investment in ILE and the resultant share price appreciation and value creation for shareholders.

Consequently, the Remuneration Committee has agreed to increase the executive remuneration for each Executive Director over a three-year period in order to more appropriately align with the peer group. Awards were made this year as part of that stepped approach with effect from 1 July 2020.

The Remuneration Committee will undertake a further benchmarking exercise in each of the following two years, in June 2021 and June 2022, to identify what further adjustments are appropriate. Any further adjustments at that time would be also dependent, as usual, on company and individual performance.

#### Annual Bonus

Performance metrics have been agreed with the Executive Directors for their 2020/21 2020 annual bonus targets under the following classifications:

- Financial including revenue targets which are considered commercially sensitive by the Committee;
- Operational including targets which are considered commercially sensitive by the Committee;
- Business development including targets which are considered commercially sensitive by the Committee;
- Preservation of the Company's cash position;
- A strategic development target which is considered commercially sensitive by the Committee.

Total bonus opportunities remain capped as set out above.

## Implementation of Director Remuneration Policy for 2020/21- Continued

LTIP	Once the new all staff LTIP scheme is developed, the Committee intends to grant further LTIP awards during 2020 to all staff. The Committee will consider quantum, performance period and performance targets at the time of award.
Benefits and Pension contribution:	The Executive Directors will receive the range of Company benefits and pension contribution in line with the Remuneration Policy.

### Base salaries for Executive Directors

Name	1 July 2020 onwards	1 July 2019 onwards
Graham Cooley	£299,833	£211,150
Simon Bourne	£230,360	£182,825
Rachel Smith	£155,736	£123,600
Andy Allen	£155,925	£115,500

### Executive Directors

**Fees** The 2020 fees for the Non-Executive Directors were reviewed during June 2020 as part of the benchmarking exercise.

Benchmarking was undertaken in relation to the fees for the Non-Executive Directors. The same comparator group was used as set out above.

**Benchmarking – Non-Executive Directors** In relation to Non-Executive Directors, it was considered that although there is a lag, it was appropriate to retain the basic non-executive fee to remain constant for the next year but that an additional fee of £10,000 should be paid for chairmanship of Audit and Remuneration Committees respectively. This change was made with effect from 1 July 2020.

**Benchmarking – Chairman's fee** The benchmarking report from Ernst and Young also covered chairpersons' fees. This also identified a lag. The Remuneration Committee agreed it would be appropriate, and in line with adjustments suggested for the Executive Directors, for the fee to increase over three instalments to reach the level paid in the lower quartile of comparable companies. Again, further reviews will be subject again to benchmarking in 2021 and 2022 and on company and individual performance. This change was made with effect from 1 July 2020.

**Benefits** Non-Executive Directors do not receive any benefits.



## Fees for Non-Executive Directors

Name	From date of appointment	Date of appointment	1 July 2020 onwards
Sir Roger Bone	£70,000 per annum	1 November 2019*	£85,000 per annum
Martin Green	£45,000 per annum	17 September 2019	£45,000 per annum, together with fee of £10,000 per annum as Chair of Audit Committee
Katherine Roe	£45,000 per annum	6 May 2020	£45,000 per annum, together with fee of £10,000 per annum as Chair of Remuneration Committee
Juergen Nowicki	Nil	-	Nil
Robert Pendlebury**	Nil	-	Nil

\*As Chairman of ITM Power.

\*\*Retired on 31 July 2020.

# STATEMENT OF DIRECTORS' SHAREHOLDINGS

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:

Name	Ordinary shares of 5p each At 30 April 2020 Number	Ordinary shares of 5p each At 30 April 2019 Number
Sir R Bone	258,710	67,000
Dr S Bourne	349,462	326,830
Dr G Cooley	1,137,726	1,062,726
Lord R Freeman	5,217	5,217
Mr R Pendlebury	112,209	112,209
Dr R Smith	144,965	80,886
Mr A Allen	25,000	-
Mr M Green	40,000	-
Mr J Nowicki	-	-
Prof R Putnam	-*	27,129

\*Not a director at year end

Interest in share options is disclosed in Note 8 of the consolidated accounts.

## Miscellaneous Disclosures

The Company provides limited Directors' and Officers' liability insurance, at a cost of approximately £19,000 exclusive of VAT for the insurance year which runs until 29 September 2020.

As a company listed on AIM, the Company is not required to comply with Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended in August 2013 (the "Regulations"), nor is it required to comply with the principles relating to directors' remuneration in the UK Corporate Governance Code 2019 (the "Code").

This report has not been audited. It should be read in conjunction with details of Directors' remuneration in note 8, which forms part of the audited financial statements.

This report was approved by the Remuneration Committee and authorised for issue on 22 October 2020 and was signed on its behalf by:



Sir Roger Bone  
Chairman, Remuneration Committee

# AUDIT COMMITTEE REPORT

The Audit Committee met four times with specific regard to the Annual Report and Accounts, considered Group financial disclosures and accounting matters, including the impact and treatment of standards that came into effect, and the impact of existing standards on the annual report of the Group.

With the world currently addressing the economic impact of the ongoing Covid-19 pandemic, the Audit Committee dedicated time to assessing the Group's status as a Going Concern. The Audit Committee judged that the business fundamentals remain strong and the Group has the resources to manage the short-term Covid-19 impact. Accordingly, it takes the view that Covid-19 will not materially affect the long-term future of the business. The Audit Committee will, however, continue to monitor the situation as it progresses and is mindful of the speed at which circumstances have changed over time for the Group. Further disclosures on the risks associated with Covid-19 are made within the Business Risks section of this report and more details on the assessment of the uncertainties surrounding the situation can be found in note 3.

In total, the committee met six times in the year and a further four times post year end, as well as 'virtually' visiting the company to meet staff and assess internal controls.

Other areas to which the Audit Committee paid specific regard are noted below:

- Key contractual legal matters
  - Audit planning and process (particularly the Stock take) under Covid-19
  - An initial review of the pension arrangements for the Group
- A summary of the areas in which the Audit Committee were required to exercise significant judgement is noted below, all of which are further disclosed within notes 2-4 of the Annual Report and Accounts:
- Going concern
  - Impairment of assets
  - Recoverability of internally-generated intangible assets
  - IFRS16: Leases
  - Grant and revenue recognition
  - Embedded leases (sales)
  - Onerous leases as the company moves to Bessemer Park
- Performance of the Finance function
  - Appropriateness of setting up an internal audit function
  - Reviewing the Audit Committee Terms of Reference
  - Reviewing the Risk Register

A key role of the Audit Committee is to monitor the effectiveness of the internal control environment which includes consideration of the Group's internal control and risk management policies and systems, their effectiveness and the requirements for an internal audit function in the context of the Group's overall risk management system. The Audit Committee is satisfied that the Group controls are operating such that a separate internal audit function is not yet required. It will keep that position under review in light of the continuing expansion of the company and will continue to carry out additional activities in the meantime. For example, in lieu of a formal internal audit function, the committee sought extra levels of assurance through meeting with Heads of Departments in the period after year end, and will continue to do so. Informal audits will be carried out randomly in areas where the Audit Committee deems there to be an elevated risk or where it is difficult to fully mitigate an existing risk. The outcomes of these activities are reviewed and recommendations made to the management team where appropriate.

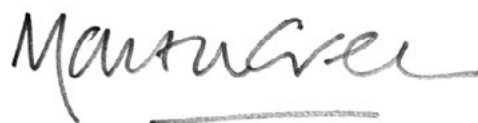
The external audit function plays an important part in assessing the effectiveness of financial reporting and internal controls. In turn, the effectiveness and quality of the external audit is of key importance, including ensuring that sufficient weight is given to new areas of compliance, such as International Financial Reporting Standards ("IFRS") 9, 15 and 16, and existing areas of risk as is deemed appropriate for the relative size and complexity of the Group's activities. Our Auditors, Grant Thornton (UK) LLP, have been in place since 2018.

There are no contractual restrictions on the choice of the external auditor. The Audit Committee reviews the Auditors' independence and annual fees to ensure they are in line with market rates. The Committee also closely monitors the nature and level of any non-audit services provided, with a policy that such work

is minimised. For example, it ensures that any work undertaken excludes involvement in making any business judgments that need to be made concerning the nature of work undertaken to help safeguard the auditors' independence. Details of fees paid/payable to the auditors are set out in note 7.

The Audit Committee has recommended to the Board the re-appointment of Grant Thornton for the year 2021.

Finally, the Audit Committee gave due consideration to the adequacy of its whistleblowing procedures and the ongoing engagement of Grant Thornton, their independence, associated remuneration and non-audit fees.



Martin Green  
Chairman, Audit Committee

#### Committee members

- Martin Green (appointed 6 November 2019) (Chair)
- Roger Bone
- Roger Freeman (resigned 16 September 2019)
- Roger Putnam (Resigned 31 October 2019)

The external auditors have unrestricted access to the Chairman of the Audit Committee. Audit Committee meetings are also attended by the external Auditor where appropriate and, by invitation, the Chief Executive Officer, Finance Director and other members of senior management.

#### Responsibilities of the committee

The committee is responsible for the following activities:

- Reviewing the effectiveness of the Group's financial reporting, internal control policies and procedures for the identification, assessment and reporting of risk;
- monitoring the integrity of the Group's financial statements;
- monitoring the financial statements of the pension fund;
- keep under review the effectiveness of the Groups internal controls and risk management systems;
- Reviewing the Group's whistleblowing, fraud and bribery procedures
- agreeing the scope of the auditors' annual audit programme and reviewing the output;
- keeping the relationship with the auditors under review, assessing the effectiveness of the audit process; and
- developing and implementing policy on the engagement of the auditors to supply non-audit services.

# 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 2020, which comprise the consolidated income statement and other comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement, the company statement of changes in equity, the company balance sheet and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 30 April 2020 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.

### The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the group's and the parent company's future prospects and performance.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the group's and the parent company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a group or a parent company associated with these particular events.

### Conclusions relating to going concern

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

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

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

In our evaluation of the directors' conclusions, we considered the risks associated with the group's and the parent company's business model, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit, and analysed how those risks might affect the group's and the parent company's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the group or the parent company will continue in operation.



### Overview of our audit approach

- Overall materiality: £330,000, which represents 1.75% of the group's loss before tax at the planning stage of the audit;
- Key audit matters were identified as improper revenue recognition of revenue from contracts and grant income including accrued income, and going concern; 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 financial information of the non-significant components in Germany, Australia and the United States.

## 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.

Key Audit Matter – Group	How the matter was addressed in the audit – Group
<p>Improper revenue recognition of revenue from contracts and grant income including accrued income</p> <p>There is a risk that revenue from contracts and grant income may be misstated due to improper recognition.</p> <p>The Group has the following revenue streams:</p> <ul style="list-style-type: none"> <li>– Product sales, standard and bespoke (construction contracts) £2,256,000 (2019: £3,746,000)</li> <li>– Maintenance contracts £48,000 (2019: £66,000)</li> <li>– Consulting contracts £470,000 (2019: £67,000)</li> <li>– Fuel sales or sales of spares £517,000 (2019: £710,000)</li> </ul> <p>There is significant judgement in ascertaining the transfer of risks and rewards in respect of the above revenue streams, however, due to the relatively low value of maintenance contracts, consulting contracts and fuel sales or sales of spares, we do not consider those revenue streams to contain a significant risk.</p> <p>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.</p> <p>In respect of grant income of £2,472,000 (2019: £7,226,000), 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. The risk arises from the complexity of the grant receivable and the long period that the grants operate over.</p> <p>There is a further risk that accrued income of £735,000 (2019: £1,471,000) may be incorrectly calculated due to the complexity of the underlying calculations.</p> <p>Finally, there is a recoverability risk in respect of accrued income, and amounts receivable under grant claims of £4,273,000 (2019: £6,444,000), due to the significant values involved.</p> <p>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.</p>	<p>Our audit work included, but was not restricted to:</p> <ul style="list-style-type: none"> <li>– Assessing whether the group's accounting policies for revenue from construction contracts are in accordance with the financial reporting framework, including IFRS 15;</li> <li>– 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';</li> <li>– Testing whether revenue from construction contracts and grant income had been accounted for in accordance with these policies;</li> <li>– Testing a sample of construction contracts and grants to original signed contractual agreements or terms;</li> <li>– 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 challenged the estimated costs of completion that management provided to gain assurance that revenue had been recognised correctly. Also, we further assessed the robustness of the forecasting with project managers;</li> <li>– Testing whether costs associated with revenue from construction contracts recorded to date were accurate and appropriately allocated to the correct contract;</li> <li>– Recalculating accrued income in respect of revenue from construction contracts, based on revenue recognised to date and progress billings;</li> <li>– 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;</li> <li>– Testing whether costs associated with grant income recorded to date are accurate and appropriately allocated to the correct grant project;</li> </ul>



Key Audit Matter – Group	How the matter was addressed in the audit – Group
	<ul style="list-style-type: none"> <li>– For a sample of amounts receivable under grant claims, we have agreed the receivable balance to evidence of the claim submission; and</li> <li>– 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.</li> </ul> <p>The group's accounting policies on revenue recognition, including revenue from construction contracts, and grant income are shown in note 3 to the financial statements and related disclosures are included in note 5.</p> <p><b>Key observations</b>                      Based on our audit work addressing the risk of improper revenue recognition 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.</p>

<p><b>Going concern</b>                      As stated in the 'The impact of macro-economic uncertainties on our audit' section of our report, Covid-19 is amongst the most significant economic events currently faced by the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty. This event could adversely impact the future trading performance of the group and the parent company and as such increases the extent of judgement and estimation uncertainty associated with management's decision to adopt the going concern basis of accounting in the preparation of the financial statements. We therefore identified going concern as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>Our audit work included, but was not restricted to:</p> <ul style="list-style-type: none"> <li>– Obtaining management's base case cash flow forecasts covering the period from August 2020 to August 2022, assessing how these cash flow forecasts were compiled and assessing their appropriateness by applying relevant sensitivities to the underlying assumptions, and challenging those assumptions;</li> <li>– Assessing the accuracy of management's past forecasting by comparing management's forecasts for last year to the actual results for last year and considering the impact on the base case cash flow forecast;</li> <li>– Obtaining management's sensitivity scenarios prepared to assess the potential impact of Covid-19 on the business. We evaluated management's assumptions regarding the impact of a reduction in receipts from revenue and an unchanged cost base. We considered whether the assumptions are consistent with our understanding of the business derived from other detailed audit work undertaken;</li> <li>– Assessing the impact of the mitigating factors available to management in respect of the ability to restrict cash impact, including the level of available facilities; and</li> <li>– Assessing the adequacy of related disclosures within the annual report.</li> </ul> <p>The group's accounting policy on going concern is shown in note 4 to the financial statements and related disclosures are included in note 3.</p> <p><b>Key observations</b>                      We have nothing to report in addition to that stated in the 'Conclusions relating to going concern' section of our report.</p>
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### 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	<p>£330,000, which represents 1.75% of the group's loss before tax at the planning stage of the audit. We determined that no revision to materiality was required in the light of the final results.</p> <p>This benchmark is considered the most appropriate because due to recent macro-economic factors such as government policy for green energy, along with the increased share price at the year end, this will drive shareholders to focus on the results of the business, and there will be an expectation that the group becomes profitable in the very near future. Loss before tax is also a KPI for the group.</p> <p>Materiality for the current year is higher than the level that we determined for the year ended 30 April 2019, where materiality was determined based on 3% of the group's revenue and other operating income, which was a lower level. The benchmark and measurement percentage were changed as a result of the matters noted in the paragraph above, including the expectation of an increased shareholder focus on the results of the business, and because loss before tax is a KPI for the group.</p>	<p>£227,000, which represents 2% of the parent company's total assets at the planning stage of the audit. We determined that no revision to materiality was required in the light of the final results.</p> <p>This benchmark is considered the most appropriate given the increase in investments and cash in the year and that the activities of the parent company are those of a holding company, which has no trading activities, and therefore the total assets of the parent company reflect the most appropriate benchmark.</p> <p>Materiality for the current year is higher than the level that we determined for the year ended 30 April 2019, where materiality was determined based on 0.75% of the parent company's net assets, which was a lower level. The benchmark and measurement percentage were changed to better reflect the relevant importance of the increased investments and cash in the parent company.</p>

Materiality measure	Group	Parent company
Performance materiality used to drive the extent of our testing	75% of financial statement materiality.	75% 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	£16,500 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£11,350 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 those controls;
- Evaluation 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, revenue and profit before tax;
- 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 93 per cent of the group's revenue and 82 per cent of the group's loss before tax; and
- Analytical procedures were performed on the financial information of the non-significant group components in Germany, Australia and the United States.

### 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 their 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 82, 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](http://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

Date: 22 October 2020

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CONSOLIDATED  
FINANCIAL  
STATEMENTS

Year Ended 30 April 2020

## CONSOLIDATED INCOME STATEMENT AND OTHER COMPREHENSIVE INCOME YEAR ENDED 30 APRIL 2020

	Note	2020	2019
		£'000s	£'000s
Revenue	5	3,291	4,589
Direct costs		(10,839)	(6,182)
Grant income against direct costs	5	1,719	427
Gross loss		(5,829)	(1,166)
<b>Operating costs</b>			
Distribution expenses			
– Research and development		(2,298)	(2,327)
– Prototype production and engineering		(13,919)	(6,202)
– Sales and marketing		(1,385)	(1,713)
		(17,603)	(10,242)
Administration expenses		(7,028)	(4,661)
IFRS 9 credit risk impairment		15	(77)
<b>Other operating income</b>			
Government grants	5	1,049	6,799
Loss from operations before tax	6	(29,396)	(9,347)
Share of loss of associate company	12	(3)	-
Investment income	9	90	30
Finance costs	9	(214)	(1)
Loss before tax		(29,523)	(9,318)
Tax	10	(38)	(133)
Loss for the year		(29,561)	(9,451)
<b>Other total comprehensive income</b>			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences on foreign operations		50	40
Net other total comprehensive income		50	40
Total comprehensive loss for the year		(29,511)	(9,411)
Basic and diluted loss per share	11	(7.4p)	(2.9p)

All results presented above are derived from continuing operations and are attributable to owners of the Company. Prior year comparatives have not been restated upon transition to IFRS 16 Leases, affecting comparison of operating costs and interest (see adoption of new standards in note 2).



## CONSOLIDATED BALANCE SHEET AS AT 30 APRIL 2020

	Note	2020	Restated 2019
		£'000s	£'000s
<b>Non-current assets</b>			
Investment in associate	12	346	-
Intangible assets	13	2,154	669
Right of use assets	14	6,520	-
Property, plant and equipment	15	6,501	5,742
Financial asset at amortised cost	30	137	-
<b>Total Non-current assets</b>		<b>15,658</b>	<b>6,411</b>
<b>Current assets</b>			
Inventories	16	4,432	1,906
Trade and other receivables	18	23,166	31,219
Cash and cash equivalents	19	39,919	5,173
<b>Total current assets</b>		<b>67,517</b>	<b>38,298</b>
<b>Current liabilities</b>			
Trade and other payables	20	(14,013)	(16,895)
Provisions	21	(6,890)	(1,605)
Lease liability	22	(211)	-
<b>Total current liabilities</b>		<b>(21,114)</b>	<b>(18,500)</b>
<b>Net current assets</b>		<b>46,403</b>	<b>19,798</b>
<b>Non-current liabilities</b>			
Lease liability	22	(6,315)	-
<b>Net assets</b>		<b>55,746</b>	<b>26,209</b>
<b>Equity</b>			
Called-up share capital	23	23,664	16,200
Share premium account	23	137,236	86,631
Merger reserve	23	(1,973)	(1,973)
Foreign exchange reserve	23	161	111
Retained loss	23	(103,342)	(74,760)
<b>Total equity</b>		<b>55,746</b>	<b>26,209</b>

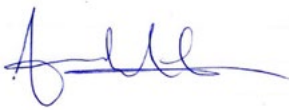
## CONSOLIDATED BALANCE SHEET (CONTINUED)

### AS AT 30 APRIL 2020

The prior year has been restated for presentational reasons (see note 28). However, as this does not affect the balances at 1st May 2018, a third balance sheet has not been presented.

Prior year comparatives have not been restated upon transition to IFRS16 Leases. This contributes right of use asset and lease liability lines that did not exist previously (see adoption of new standards in note 2).

The financial statements of ITM Power Plc, registered number 05059407, were approved by the Board of Directors and authorised for issue on 22 October 2020. Signed on behalf of the Board of Directors:

A handwritten signature in blue ink, appearing to read 'Allen', with a horizontal line extending to the right.

Andy Allen  
Director

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

### YEAR ENDED 30 APRIL 2020

	Note	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 2018		16,200	86,631	(1,973)	71	(65,493)	35,436
Loss for the year		-	-	-	-	(9,451)	(9,451)
Other comprehensive income	23	-	-	-	40	-	40
Total comprehensive income		-	-	-	40	(9,451)	(9,411)
Credit to equity for share based payment	24	-	-	-	-	184	184
At 30 April 2019	23	16,200	86,631	(1,973)	111	(74,760)	26,209
<b>Transactions with Owners</b>							
Issue of shares	23	7,464	50,605	-	-	-	58,069
Total Transactions with Owners		7,464	50,605	-	-	-	58,069
Loss for the year		-	-	-	-	(29,561)	(29,561)
Other comprehensive income	23	-	-	-	50	-	50
Total comprehensive income		-	-	-	50	(29,561)	(29,511)
Credit to equity for share based payment		-	-	-	-	979	979
At 30 April 2020	23	23,664	137,236	(1,973)	161	(103,342)	55,746

Prior year comparatives have not been restated upon transition to IFRS16 Leases so there is no restatement of retained earnings (see adoption of new standards in note 2).

## CONSOLIDATED CASH FLOW STATEMENT

### YEAR ENDED 30 APRIL 2020

	Note	2020	Restated 2019
		£'000s	£'000s
Net cash used in operating activities	25	(12,040)	(11,775)
<b>Investing activities</b>			
Investment in associate		(349)	-
Purchases of property, plant and equipment		(8,986)	(4,125)
Finance asset (security deposit)		(137)	-
Capital Grants received against purchases of property plant and equipment		89	1,073
Proceeds on disposal of Property, Plant & Equipment		1	-
Payments for intangible assets		(1,771)	(436)
Interest received		90	30
Net cash used in investing activities		(11,063)	(3,458)
<b>Financing activities</b>			
Issue of ordinary share capital		59,299	-
Costs associated with fund raise		(1,230)	-
Payment of lease liabilities	26	(236)	-
Net cash from financing activities		57,833	-
Increase/ (decrease) in cash and cash equivalents		34,730	(15,233)
Cash and cash equivalents at the beginning of year		5,173	20,403
Effect of foreign exchange rate changes		16	3
Cash and cash equivalents at the end of year		39,919	5,173

Prior year comparatives have not been restated upon transition to IFRS16 Leases, affecting net cash used in operating activities, and introducing the new line of "Payment of lease liabilities" within the Financing Activities section (see adoption of new standards in note 2).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. GENERAL INFORMATION

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

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

## 2. ADOPTION OF NEW AND REVISED STANDARDS

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied 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 2019.

### 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 reflected in the statement of financial position, as both a right-of-use asset and a corresponding lease liability.

The Group has used the modified retrospective transitional approach, meaning that the lease liability and equivalent right of use asset are brought on to the balance sheet at the discounted amount applicable at the transition date. Prior year financial information has

not been restated, resulting in no impact on retained earnings on transition. The Group has also made use of the practical expedient not to reassess whether contracts are or contain a lease. As such we have adopted the "portfolio approach" beginning by using our existing lease portfolio (reported under the old IAS 17 operating lease note) and subsequently assessed any changes or new contracts as they have arisen.

	Leasehold properties	Motor vehicles	Total
	£'000s	£'000s	£'000s
Total operating lease commitments disclosed at 30 April 2019	677	69	746
Less recognition exemption for leases with less than 12 months remaining	(75)	-	(75)
Adjustment for extension/ (contraction) of lease payments recognised	243	(16)	227
Operating lease liabilities before discounting	845	53	898
Discounted using incremental borrowing rate	(45)	(3)	(48)
Opening lease liabilities	800	50	850

The right to control the use of an asset over a period of time applies when the lessee has the right to obtain substantially all the economic benefits from the use of the asset and the right to direct the use of the asset. If the lessor has the substantive right to substitute the asset during this period, then it would not meet this condition. Two potential exemptions can also be applied – for leases of less than 12 months duration or of low value. For these reasons, we have not included temporary equipment hire for projects nor the rent-a-room office and storage facilities contracted by the Group.

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. With no clearly defined interest rates for existing leases and no incremental borrowing rate known for the Group, ITM Power has selected discount rates of 2.5% (properties) and 5% (non-property) for our existing leases based on similar companies and leases. For the new lease at Bessemer Park, as it is of much longer duration (15 years), an interest rate of 7.5% has been applied.

A right-of-use asset is 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 is increased for the accumulation of interest and reduced by lease payments. This will

result in higher expenses recorded in the earlier phases of any lease, when interest is calculated on a larger liability balance. There is no impact on cash flow overall. Classifications within the statement of cash flows will change to reflect the interest element of each lease payment. This reclassification also impacts EBITDA.

Besides the appearance of right of use assets and lease liabilities on the balance sheet, a comparison of the impact on current year profit / loss is shown below:

	Effect on Profit & Loss under new IFRS 16			What would have been presented under IAS 17 Operating lease rental charge
	Interest charge	Depreciation charge	Total	
	£'000s	£'000s	£'000s	£'000s
Property leases	199	476	675	400
Vehicle leases	3	38	41	39
	202	514	716	439

The above note ignores the effect of impairment but shows an impact of an additional £277,000 charge to the income statement in the year, increasing the EBIT loss of the Group. However, as the charge now passes into the income statement in the form of depreciation and interest, EBITDA has improved by £439k.

#### New and revised IFRSs in issue but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 30 April 2020 reporting periods and have not been early adopted by the Group. These standards are neither expected to have a material impact on the entity in the current or future reporting periods nor on foreseeable future transactions:

- IFRS 3 Amendments to the definition of a business (effective for periods beginning on or after 1 January 2020);
- IAS 1 and IAS 8 Amendments to the definition of material to align with the Revised Conceptual Framework (effective for periods beginning on or after 1 January 2020);
- IFRS 9, IAS 39 and IFRS 7 amendments in Interest Rate Benchmark Reform when accounting for hedging (effective for periods beginning on or after 1 January 2020).

#### Other Changes in Accounting Policy

The Group makes R&D claims as part of its annual submissions to the tax authorities and has recently started to make RDEC claims to benefit from enhanced relief or tax credits (as appropriate). As the nature of these is similar to grant funding, the Group will present them within other income. This will leave the tax line of the accounts solely for the purposes of reporting corporation tax. This change will be reflected in a revised accounting policy. Retrospective application would be immaterial to the accounts so the change will be treated prospectively, without restatement of prior periods.



### 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 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 ceases to have 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 30 November 2021. This forecast indicates that the Group and parent company would expect to remain cash positive without the requirement for further fund raising based on delivering the existing pipeline, for a period of at least 12 months from the date of approval of these financial statements.

With the uncertainty created for the economy by Covid-19, this cash flow forecast model has also been tested for sensitivity in the following ways: all payments continuing as normal while receipts are delayed by six months, or receipts are not received at all. In both scenarios the business remained cash positive for the full twelve months. In this second scenario, careful management of resources will be required to ensure that the right progress is made on projects in order to reach payment milestones and receive payment for these activities.

To date the Group has not experienced any significant difficulties in receiving payments due from customers so the worst-case scenario looks unlikely to materialise.

In contracts that include installation and commissioning, the company will have aligned payment milestones with on-site completion of certain works. As such, the dynamic nature of border controls during the Covid-19 lockdown, as well as quarantining when travelling will need particular attention to maintain cash inflows

As project timings are stretched due to challenges of on-site work, it will also be increasingly important to monitor and control outgoings, especially with the close-out of legacy projects without further over-runs remaining a high priority. Notwithstanding the above, the business expects to continue to be viable. This is underlined by the equity fundraise announced in October 2020 for a further £150m.

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, which is typically 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.

- During the product build, 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 (as they are considered recoverable) and 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 Group; 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’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 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 disruption to customers. The warranty period starts from the date the performance obligations under Site Acceptance Testing is deemed to have been passed.

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 any 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’s standard contract wording limits 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, which include a reasonably attributable profit margin. Remedies would

instead exist in a separate claim for damages.

#### Maintenance contracts

Maintenance contracts typically involve two scheduled 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) under IFRS15 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 related expenditure is incurred, unless relating to property, plant and equipment when they are netted against the cost of the assets acquired on the balance sheet.

Grants have stage payments, which can include upfront payments to ITM power. 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 subsidises 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.

### 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

Exchange differences are recognised in profit or loss in the period in which they arise except 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. The resulting tax charge, where applicable, is shown within the tax line of the income statement.

Research and development tax credits are recognised on an accruals basis, and are reported in the income statement. By their nature, they are similar to grant funding so will be presented amongst other income.

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.

in terms of historical cost in a foreign currency are not retranslated.

## Investment in associates

An associate is an entity over which the Group has significant influence but that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operational policy decisions of the investee but is not control or joint control over those policies. Investments in associates are accounted for using the equity method.

An investment in associate is initially recognised at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate, adjusted where necessary to ensure consistency with the accounting policies of the Group. When the Group's share of losses of an associate exceeds the Group's interest in that associate, the Group discontinues recognition of its share of further losses. Additional losses are then recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

As per IAS 28, the investment in an associate will be subject to impairment review only with objective evidence of impairment from observable data as a result of one or more events adversely impacting the expected future cashflows and where such impact can be reliably estimated. Any such impairment will reduce the carrying value of the investment and be recognised immediately in profit or loss to the extent that it relates to the investment by the Group.

Unrealised gains and losses on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in those entities. Where unrealised losses are eliminated, the underlying asset is also tested for impairment.

## 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 the Group 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

## Right of Use Assets

Right of use assets are recognised at the total value of the minimum lease payments (i.e. initial measurement of the lease liability) plus any deposit or lease payments made at or before the commencement date, less any lease incentives. The asset may also include any initial direct costs incurred in establishing the lease. The company creates a separate asset under leasehold improvements for any dilapidations costs to restore a property to the condition required by the landlord at the end of the lease.

Depreciation of right of use assets will be recognised in distribution costs (or in administration cost if more suited to the asset) over the lease term. Where a deposit is not taken in lieu of rent, but rather to act as security that can be refunded, this will be treated as the expected residual value of the asset and will not be subject to depreciation.

## 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 complete and 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.

## 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 financial 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 profit or loss

Assets that do not meet the criteria for amortised cost or Fair Value through Other Comprehensive Income (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.

### Leases

Where there is control over a leased asset, granted by a lease of more than 12 months duration at inception, both the lease liability and a corresponding right of use asset

will be recognised on the balance sheet. Rental amounts will not be expensed but instead will reduce the liability, while interest on this liability and depreciation of the asset will pass through to the income statement.

### 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 Group are recorded at the proceeds received, net of direct issue costs.

### Share-based payments

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.

HMRC Unapproved Share Option Schemes. For share options that have vested and are exercisable at the year-end, the provision has been calculated using the intrinsic value of the share option which is the difference between the Group's share price at the balance sheet date and the exercise price. The actual amount of Employer's NIC that will be payable will be determined on the difference between the exercise price and Group's share price at the date of exercise. For share options that have not vested, the provision for Employer's NIC is calculated on the same basis and is accreted over the vesting period.

The Group has agreed to settle the Employer's NIC liability arising on gains made on the exercise of unapproved share options be capped at the exercise price of the options. Any excess liability for Employer's NIC would be recovered from the option holder.

### 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.

#### Revenue Recognition Over Time

Management have assessed sales contracts in accordance with the 5-step principle laid out by IFRS 15 and have concluded 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 that are recognised over time may 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.

## Going concern

The directors are required to assess whether it is appropriate to prepare the financial statements on a going concern basis. This is particularly important given the ongoing Covid-19 pandemic and as a result required additional sensitivity testing in the current year. The assessment of going concern is set out in note 3.

## Investment in ITM Linde Electrolysis

The investment was made on a 50:50 basis but with Linde deemed to have control for the purposes of consolidation as they appoint the Managing Director. ITM retains a significant influence however, by virtue of the even voting rights for all other matters and having representation on the Board of Directors. As such management have deemed the investment to be that of an associate for accounting purposes, subject to equity accounting and potential for impairment.

## Capitalisation of Development Costs

The Group undertakes a number of internal projects for the advancement of our core technology, the design of our standard products and improved efficiencies around our business. Whilst these will be timebound and involve specific groups of staff, time and costs can easily be tracked through our reporting and accounting systems. Management must decide at what point such efforts become development work that will result in future economic benefits to the Group and thus, at which point they meet the criteria for capitalisation.

## 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 £2.1m (2019: £616,000). The development projects currently capitalised here, and being amortised, relate to technologies being used in our current sales and so remain relevant. Further capitalisations during the year relate to advancements in those technologies and efficiencies that should allow the Group to improve its offering and gain interest in new markets. The Group has also been developing its internal systems to support the delivery of its larger scale activities.

## 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 under construction are grouped under the same cash generating unit (CGU) where they are funded by the same grant, but once deployed and opened to the public, each hydrogen refuelling station is considered as a separate CGU.

One such trigger for impairment review, which has occurred in the current year, is that the Group was loss making and another was the impact of the Covid-19 lockdown on the number of vehicles on the roads requiring refuelling for an (as yet) undetermined period of time. This is the fourth 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.

As part of a strategic review ongoing at the year-end, in June 2020 a Managing Director was appointed to the Motive division to establish a strategy for refuelling in the UK. As such, it was deemed that a critical volume of hydrogen output was needed for the stations to be cash generative. The first-generation stations deployed by ITM do not meet these minimum volume requirements. As such the Group has impaired fully the remaining value of the assets.

However, as the majority of the stations are sited in strategic locations with important partners, and an obligation exists within funding arrangements to continue to operate for a period of time, the fleet of refuelling stations will continue to offer hydrogen before upgrades can be planned in the future. The stations continued to operate during Covid-19 having gained essential services status through supporting the Met police and key workers with Green Tomato Cars.

As at the balance sheet date, an impairment review was undertaken and an impairment of £5,393,000 was provided.

### 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 and future trends. We have not noticed any change in recovery profiles during the Covid-19 lock down and continue to engage with large credit-worthy businesses for the sale of our products. Grant debtors and accrued grant income balances have been disregarded in the application of this percentage provision as, so long as spend continues within the parameters of the grants, the value of the grant award is unchanged. In the case of grants awarded by the EU, Brexit uncertainty may impact the timing of those receipts; all grants that are contracted are considered recoverable.

### Key sources of estimation uncertainty

#### 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 the asset categories. However, the accounting lives of certain assets more directly connected with the current leasehold properties have been reduced based on the expected dates for vacating those properties.

#### Discount rates on lease liabilities recognised under IFRS 16

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. With no clearly defined interest rates for our existing leases and no incremental borrowing rate known for the group, we have selected discount rates of 2.5% (properties) and 5% (non-property) for the existing leases based on similar companies and

leases. For the longer Bessemer lease a rate of 7.5% has been used and the impact of using this rate is material given the length of the lease. Details of the sensitivities to different estimates that could have been used are given in note 22.

#### Leasehold property provision

A provision was recognised in prior years for dilapidations work in relation to our current premises for handover to the landlords, given our intention to move to Bessemer Park. The amount was calculated by a value per square metre, which was adjusted last 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 for other new property leases.

#### Warranty provisions

Warranty provisions 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 extended.

#### Provision for contract losses

The Group has recognised a provision for onerous contracts in line with the requirements of IAS 37, given the expected costs to complete legacy projects exceeding the headroom in contracted sales values. Cost forecasts produced by Project Managers are monitored on a monthly basis to ensure that such potential losses are recognised immediately in the accounts. As quotes are finalised with suppliers these estimates may fluctuate but the provision will be adjusted accordingly and ultimately used to off-set the future costs of the project as it nears completion.

## 5. REVENUE, OPERATING SEGMENTS & INCOME FROM GOVERNMENT GRANTS

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

	2020	2019
	£'000s	£'000s
Revenue from product sales recognised over time	2,256	2,920
Revenue from product sales recognised at a point in time	-	826
<b>Total product sales</b>	<b>2,256</b>	<b>3,746</b>
Consulting contracts	470	67
Maintenance contracts	48	66
Fuel Sales	367	373
Other (e.g. scrap sales)	150	337
<b>Revenue in the Consolidated Income Statement</b>	<b>3,291</b>	<b>4,589</b>
Grant income shown against cost of sales	1,719	427
Grant income (claims made for projects)	753	6,799
Other government grants (R&D claims)	252	-
Other government grants (Covid-19 furlough scheme)	44	-
	<b>6,059</b>	<b>11,815</b>

At 30 April 2020, the aggregate amount of the transaction price allocated to remaining performance obligations of continuing build contracts was £3.8m (2019: £5.9m). The Group expects to recognise 94% 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 has 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 as 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:

	2020	2019
	£'000s	£'000s
Power-to-Gas (of which product sales recognised over time £260,000)	332	1,084
Refuelling (of which product sales recognised over time £854,000)	1,247	2,365
Industrial (of which product sales recognised over time £1,140,000)	1,147	1,052
Other	565	88
Revenue in the consolidated income statement	3,291	4,589

#### 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 £Nil, 2019: £69,000) and assets relating to our German office (net book value £31,000, 2019: £Nil). Revenues have been generated as follows:

	2020	2019
	£'000s	£'000s
United Kingdom	828	1,338
Germany (of which product sales recognised over time £1,140,000)	1,167	391
France (of which product sales recognised over time £854,000)	857	1,739
Netherlands (of which product sales recognised over time £261,000)	261	891
United States	178	230
	3,291	4,589

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

	2020	2019
	£'000s	£'000s
Customer A – Industrial	1,140	<10%
Customer B – Power-to-Gas	<10%	<10%
Customer C – Power-to-Gas	<10%	891
Customer D – Other	410	Nil
Customer E – Industrial	<10%	635
Customer F – Refuelling	854	1,696

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 21.

## 6. LOSS FOR THE YEAR

	2020	2019
	£'000s	£'000s
<b>Loss for the year has been arrived at after charging/ (crediting):</b>		
Net foreign exchange (gains)/losses	(184)	148
Shared based payment charge (Note 24)	2,625	184
Depreciation of property, plant and equipment	2,440	1,773
Reversal of impairment of assets	-	(24)
Impairment of non-current assets	5,588	-
Amortisation of intangibles	197	122
Research and non-capitalised Development costs	2,298	2,327
Impairment against prepayments	-	591
Bad and doubtful debt (credit) / expense	(15)	424
Loss on disposal of property, plant and equipment	473	-
Rentals under short-term leases:		
– Land and buildings	83	227
– Other equipment	413	292
Government grants receivable	(2,768)	(7,226)
Staff costs (note 8)	8,642	6,825
Cost of inventories recognised as an expense	4,326	4,175
Movement on aged stock provision	108	341

Prior year comparatives have not been restated upon transition to IFRS 16 Leases, affecting comparison of depreciation and operating lease rentals (see adoption of new standards in note 2).

Operating lease rentals for the current year, refer only to those rentals that meet the criteria for exemption under IFRS 16 Leases i.e. those of short duration or that do not grant control of an asset for a determined period of time. These are largely short-term rentals of equipment to undertake our field activities on projects whilst building rentals refer to property service charges.

### Calculation of adjusted EBITDA

In reporting EBITDA, management use the metric of adjusted EBITDA, to better reflect underlying performance and remove the effect of the following items;

	2020	2019
	£'000s	£'000s
Loss before interest and tax	(29,396)	(9,347)
Add back:		
Depreciation	2,440	1,773
Impairment	5,588	(24)
Amortisation	197	122
Loss on disposal	473	-
Share based payment charge	2,625	184
	(18,073)	(7,292)

## 7. AUDITORS REMUNERATION

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

	2020	2019
	£'000s	£'000s
Fees payable to the Company's auditor for		
- The audit of the Company's annual accounts	60	40
- The audit of the Company's subsidiaries pursuant to legislation	30	15
<b>Total audit fees</b>	<b>90</b>	<b>55</b>
Other services pursuant to legislation		
- Interim agreed upon procedures/review work (audit related services)	13	13
<b>Total non-audit fees</b>	<b>13</b>	<b>13</b>

In addition to last year's reported audit figures an amount was agreed and paid to cover over-runs of £35,000, making the total payable £90,000.



## 8. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

2019/20

Name of Director	Fees/Basic salary	Benefits in kind	Annual bonuses	Total excluding pension	Pension contributions	2020 Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
<b>Executive</b>						
Dr S Bourne	178	-	56	234	9	243
Dr G Cooley	214	-	109	323	23	346
Dr R Smith	118	-	25	143	11	154
A Allen	102	-	17	119	18	137
<b>Non-Executive</b>						
Prof R Putnam	192	-	-	192	-	192
Lord Freeman	19	-	-	19	-	19
B Pendlebury	-	-	-	-	-	-
R Bone	58	-	-	58	-	58
M Green	30	-	-	30	-	30
J Novicki	-	-	-	-	-	-
Aggregate emoluments	911	-	207	1,118	61	1,179
Employers NI						167
Share based payment expense in respect of directors						2,611
<b>Total costs for Directors and key management personnel</b>						<b>3,957</b>

The amount shown for M Green has been accrued at the year-end and will be paid in the next financial year.

## 2018/19

Name of Director	Fees/Basic salary	Benefits in kind	Annual bonuses	Total excluding pension	Pension contributions	2019 Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
<b>Executive</b>						
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
<b>Non-Executive</b>						
Prof R Putnam	160	-	-	160	-	160
Lord Freeman	38	-	-	38	-	38
B Pendlebury	-	-	-	-	-	-
R Bone	38	-	-	38	-	38
Aggregate emoluments	816	-	278	1,094	65	1,159
Employers NI						143
Share based payment expense in respect of directors						184
Total costs for Directors and Key Management Personnel						1,486

Four directors were members of money purchase schemes during the year (2019: four).

#### Share Options Scheme

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 2019 Number	Grant date	30 April 2020 Number	Exercise price £'000	Date from which exercisable	Expiry date
Dr S Bourne	EMI	200,000	02/02/2010	-	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	27p	01/08/2012	05/08/2024
Dr S Bourne	Unapproved	583,333	14/08/2018	583,333	30p	14/08/2019	13/08/2028
Dr S Bourne	Unapproved	583,333	14/08/2018	583,333	30p	14/08/2020	13/08/2028
Dr S Bourne	Unapproved	583,334	14/08/2018	583,334	30p	14/08/2021	13/08/2028
Dr G Cooley	Unapproved	200,000	29/06/2009	-	18p	29/06/2012	29/06/2019
Dr G Cooley	Unapproved	360,000	02/02/2010	-	18p	02/02/2014	02/02/2020
Dr G Cooley	EMI	640,000	02/02/2010	-	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	27p	06/08/2015	05/08/2024
Dr G Cooley	Unapproved	1,000,000	14/08/2018	1,000,000	30p	14/08/2019	13/08/2028

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

Name of Director	Scheme	1 May 2019 Number	Grant date	30 April 2020 Number	Exercise price £'000s	Date from which exercisable	Expiry date
Dr G Cooley	Unapproved	1,000,000	14/08/2018	1,000,000	30p	14/08/2020	13/08/2028
Dr G Cooley	Unapproved	1,000,000	14/08/2018	1,000,000	30p	14/08/2021	13/08/2028
Prof R Putnam	Unapproved	50,000	23/11/2009	-	20p	23/11/2010	23/11/2019
Prof R Putnam	Unapproved	100,000	24/01/2011	-	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	-	24p	29/04/2013	29/04/2020
Dr R Smith	Unapproved	416,666	14/08/2018	416,666	30p	14/08/2019	13/08/2028
Dr R Smith	Unapproved	416,667	14/08/2018	416,667	30p	14/08/2020	13/08/2028
Dr R Smith	Unapproved	416,667	14/08/2018	416,667	30p	14/08/2021	13/08/2028
A Allen	EMI	16,666	23/03/2011	16,666	55p	22/03/2012	22/03/2021
A Allen	EMI	16,666	23/03/2011	16,666	55p	22/03/2013	22/03/2021
A Allen	EMI	16,668	23/03/2011	16,668	55p	22/03/2014	22/03/2021
A Allen	Unapproved	333,333	14/08/2018	333,333	30p	14/08/2019	13/08/2028
A Allen	Unapproved	333,333	14/08/2018	333,333	30p	14/08/2020	13/08/2028
A Allen	Unapproved	333,334	14/08/2018	333,334	30p	14/08/2021	13/08/2028

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

Name of Director	Scheme	Options at 30 April 2020	Grant date	Last Vesting Date	Expiry Date	Exercise price
A Allen	Unapproved	47,250	24/10/2019	23/10/2022	23/10/2029	48p
Dr G Cooley	Unapproved	307,500	24/10/2019	23/10/2022	23/10/2029	48p
Dr R Smith	Unapproved	72,000	24/10/2019	23/10/2022	23/10/2029	48p
Dr S Bourne	Unapproved	159,750	24/10/2019	23/10/2022	23/10/2029	48p

Gains made by directors exercising share options in the year:

Director	Type of share option	Number of shares exercised	Share option value	Exercise price	Gain made £'000s
R Putnam	Unapproved	100,000	20.5p	70.37p	49.9
G Cooley	EMI	640,000	18.75p	61.78p	275.4
G Cooley	Unapproved	360,000	18.75p	61.78p	154.9
S Bourne	EMI	200,000	18.75p	61.78p	86
R Smith	EMI	100,000	24.25p	24.25p	-
R Putnam	Unapproved	50,000	66.75p	160.06p	46.6

	2020	2019
<b>Remuneration of the highest paid Director</b>	<b>£'000s</b>	<b>£'000s</b>
Aggregate emoluments	323	370
Money purchase pension contributions	23	28
	346	398

Gains made by the highest paid director exercising share options in the year were £430 (2019: £nil).

<b>Monthly average number of persons employed</b>	<b>Number</b>	<b>Number</b>
Research and development	28	24
Production and engineering	116	86
Sales and marketing	12	12
Administration	22	17
	178	139

<b>Staff costs during the year (including Directors)</b>	<b>£'000s</b>	<b>£'000s</b>
Wages and salaries	7,208	5,822
Social security costs	821	537
Other pension costs	613	466
Share based payment expense	2,625	184
	11,267	7,009
Less: staff costs capitalised in development costs	1,690	383
Staff costs expensed in the year	9,577	6,626

As at 30 April 2020 pension contributions of £52,000 (2019: £44,000) 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.

Due to Covid-19 lockdown in the latter months of the financial year, a furlough claim was made to the government to support the wages of those staff who were unable to continue their work from home. As such, a credit of £44,000 has been recognised in other income in anticipation of this receipt. The figures shown above are shown gross and do not include the impact of the furlough scheme income.

## 9. INTEREST

Interest is received on the Group's cash balances and paid largely on its lease liabilities:

	2020	2019
	£'000s	£'000s
<b>Investment interest</b>		
Interest received on cash deposits	90	30
<b>Finance cost</b>		
Interest paid	(11)	(1)
Lease liability interest paid	(203)	-
	(124)	29

Prior year comparatives have not been restated upon transition to IFRS16 Leases, affecting interest paid (see adoption of new standards in note 2).

## 10. TAX

	2020	2019
	£'000s	£'000s
<b>Current taxation</b>		
Tax (charge)/ credit in the year	(12)	59
Tax charge relating to prior years	(26)	(192)
	(38)	(133)

Corporation tax is calculated at 19% (2019: 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:

	2020	2019
	£'000s	£'000s
<b>Loss before tax</b>		
Loss before tax	(29,523)	(9,318)
Tax on loss at 19% (2019: 19%)	5,609	1,770
<b>Factors affecting (charge)/credit for the year:</b>		
Expenses not deductible for tax purposes	(542)	(50)
Fixed asset differences	(1,649)	(342)
Research and development enhanced relief	-	59
Tax charge on current year RDEC claim	(12)	-
Adjustments in respect of prior years	(26)	(192)
Unrelieved tax losses carried forward	(3,418)	(1,378)
Tax (charge) / credit for the year	(38)	(133)

### Factors affecting future tax charges

The Group has tax losses of approximately £47.8m (2019: £30.1m) available to carry forward against future taxable profits, subject to agreement with HM Revenue & Customs. A deferred tax asset has not been recognised.



## 11. LOSS PER SHARE

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

	2020	2019
	£'000s	£'000s
<b>Loss</b>		
Loss for the purposes of basic and diluted loss per share being net loss attributable to owners of the Company	(29,561)	(9,451)
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	398,184,707	324,009,397
Loss per Share	7.4p	2.9p

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. INVESTMENTS

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.

	2020	2019
	£'000s	£'000s
Investment in associate	344	-
Foreign exchange adjustment	5	-
50% share of loss recognised in the year	(3)	-
	346	-

The amount shown in the Consolidated Balance Sheet relates to the establishment and incorporation in the year of ITM Linde Engineering GmbH (incorporated in Germany, with registered office: Bodenbacher Str. 80, 01277 Dresden, Germany). Interest in the new company is split 50:50 with Linde Engineering GmbH, although control is deemed to lie with Linde for the purposes of consolidation as they appoint the Managing Director. ITM Power has significant influence in the company due to its representation on the Board.

The investment is therefore an equity-accounted investment in associate but will be subject to impairment review. In the current year, no such impairment was deemed necessary.

No sales were made by the entity in the current reporting year and only start-up costs have been incurred. The majority of the investment remains in cash funds held by ITM Linde Engineering GmbH at the year-end.

Key financial data of ITM Linde Electrolysis:

	30 April 2020
	€'000s
Cash	717
Share capital	(24)
Share premium	(700)
Loss for the year	7
Total Equity	(717)

During the year, besides the transfer of 50% of the share capital and cash into the associate and the legal fees relating to its establishment, ITM Power paid for the development of its website and hosting. Further cash injections are planned over the next few months, equating to €625,000 by each party.

## 13. INTANGIBLE ASSETS

	Software	Know-how	Development costs	Total
	£'000s	£'000s	£'000s	£'000s
<b>Cost</b>				
At 1 May 2018	6	404	69	479
Transfers	-	155	(155)	-
Additions	53	-	383	436
At 30 April 2019	59	559	297	915
Transfers	-	66	(66)	-
Additions	81	-	1,690	1,771
Grant received	-	-	(89)	(89)
At 30 April 2020	140	625	1,832	2,597
<b>Amortisation</b>				
At 1 May 2018	1	123	-	124
Charge for the year	5	117	-	122
At 30 April 2019	6	240	-	246
Charge for the year	36	161	-	197
At 30 April 2020	42	401	-	443
<b>Carrying amount</b>				
At 30 April 2020	98	224	1,832	2,154
At 30 April 2019	53	319	297	669

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 built up over a period of time but capitalisation ceases once the asset comes into use and is transferred to the Know-how category, where they will amortise over four years.

Within the development costs category, and therefore incomplete in its value to date, is the design of our 10MW standard product. This currently has a value of £1.1m but combines not only the design of our first modular system but also the working-practice templates for larger system development and deployment in locations under stricter HSEQ/ regulatory controls, such as refineries.

## 14. RIGHT OF USE ASSETS

	Leasehold property	Leased Vehicles	Total
	£'000s	£'000s	£'000s
<b>Cost</b>			
Cost at 1 May 2019 (on transition to IFRS 16)	1,014	72	1,086
Additions	6,058	22	6,080
At 30 April 2020	7,072	94	7,166
<b>Depreciation</b>			
At 1 May 2019	-	-	-
Charge for the year	475	38	513
Impairment	133	-	133
At 30 April 2020	608	38	646
<b>Net book value</b>			
At 30 April 2020	6,464	56	6,520
At 30 April 2019	-	-	-

The Right of Use asset category was created upon transition to IFRS 16. Prior periods have not been restated. The Group currently holds right of use assets in both the UK (5 properties and 9 vehicles) and Germany (1 property and 2 vehicles).

Right of Use assets are depreciated over their lease term. An impairment has been recognised in the current year, in accordance with IAS 36 Impairment of Assets, for the remaining leases on buildings that we are preparing to quit when we move to Bessemer Park. This involves three separate properties that currently house our UK workforce and reduces their carrying value so as not to be depreciating them beyond March 2021.

## 15. PROPERTY, PLANT AND EQUIPMENT

	Production plant and equipment	Laboratory and test equipment	Computer equipment	Office furniture and fittings	Leasehold improvements	Assets in the course of construction	Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
<b>Cost</b>							
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 1 May 2019	4,799	1,903	789	207	3,579	3,033	14,310
Additions	178	156	129	6	4,006	4,103	8,578
Transfers	950	-	-	-	-	(950)	-
Disposals	(484)	(66)	(1)	-	-	(383)	(934)
Foreign exchange	23	-	(1)	-	-	42	64
At 30 April 2020	5,466	1,993	916	213	7,585	5,845	22,018

	Production plant and equipment	Laboratory and test equipment	Computer equipment	Office furniture and fittings	Leasehold improvements	Assets in the course of construction	Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
<b>Depreciation</b>							
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
Disposals	(400)	(53)	(1)	-	-	-	(454)
Charge for the year	989	175	99	6	658	-	1,927
Impairment	910	-	-	-	151	4,394	5,455
Foreign exchange	20	-	-	-	-	-	20
At 30 April 2020	4,997	1,674	747	197	3,507	4,394	15,516
<b>Net book value</b>							
At 30 April 2020	469	319	169	16	4,078	1,450	6,501
At 30 April 2019	1,321	351	140	16	881	3,033	5,742

The impairment, reported across three categories of asset above, relates to the impairment of our refuelling assets described in note 4 as well as a £62,000 impairment for leasehold improvements relating to our properties that we are preparing to leave (see also Right of Use Assets note 14).

## 16. INVENTORIES

	2020	2019
	£'000s	£'000s
Raw materials	3,277	1,796
Work in progress	1,155	110
	4,432	1,906

Inventories have been stated after a provision for impairment of aged-stock £449,000 (2019: £341,000).

## 17. CONTRACT BALANCES AND PERFORMANCE OBLIGATIONS

	2020	2019
	£'000s	£'000s
Contract revenue recognised through release from deferred income	484	540
Release from transitional adjustment	10	638
	494	1,178

In the prior year ITM Power elected to transition to the new standard IFRS 15 Revenue from Customers using the modified retrospective method. This meant that retained earnings were adjusted by an amount that would have increased deferred income brought forward. In the current financial year we have completed the last of those projects and thus the remaining adjustment has been released. This release of deferred income in the year has been shown separately.

	2020	2019
	£'000s	£'000s
<b>Contracts with customers in progress at the balance sheet date:</b>		
Amounts due from contract customers included in trade and other receivables	1,067	35
Contract assets (accrued income)	735	1,471
Contract liabilities (deferred income)	(3,050)	(2,457)
<b>Balance sheet position of sales contracts</b>	<b>(1,248)</b>	<b>(951)</b>

The contract position will 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. The contract asset has reduced from the prior year as the contract invoices have been raised.



## 18. TRADE AND OTHER RECEIVABLES

	2020	2020	2019 (Restated)	2019 (Restated)
	£'000s	£'000s	£'000s	£'000s
Amount receivable for the sale of goods	45		136	
Amounts due from construction contract customers (note 17)	1,067		35	
Amounts receivable under grant claims	4,273		6,444	
Impairment for credit risk	(62)		(77)	
<b>Total trade receivables</b>		<b>5,323</b>		<b>6,538</b>
Restricted cash balances		1,083		1,692
Other receivables		869		366
Corporation tax (R&D credits)		317		154
Prepayments		13,289		14,937
Accrued Sales income		735		1,471
Accrued Grant income		1,550		6,061
		<b>23,166</b>		<b>31,219</b>

The prior year has been restated for presentational reasons (see note 28). Prepayments include amounts paid up-front by way of pro forma and stage payments to suppliers for the long-lead time items required on our build projects.

Restricted cash balances refer to monies received from customers that are currently sat on bank guarantee until specific performance milestones are met on product sales contracts.

Trade receivables are measured at amortised cost.

Their ageing is analysed as follows:

	2020	2019 (Restated)
	£'000s	£'000s
Less than 30 days	3,713	2,319
31-60 days	95	2,940
61-90 days	777	1
Greater than 91 days	800	1,355
	5,385	6,615

	2020	2019
	£'000s	£'000s
Movement in the allowance for doubtful debts		
Balance at 1 May 2019	77	-
Impairment losses recognised	-	(347)
Movement on IFRS 9 credit risk provision	(15)	77
Amounts written off during the year as uncollectible	-	347
Balance at 30 April 2020	62	77

The movement on the doubtful debts provision in the year related the IFRS 9 credit risk provision that recognises a potential loss on 1% of the company's trade debtor and accrued sales income balances.

## 19. CASH AND CASH EQUIVALENTS

	2020	2019
	£'000s	£'000s
Cash and cash equivalents	39,919	5,173

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.

## 20. TRADE AND OTHER PAYABLES

	2020	2019 (Restated)
	£'000s	£'000s
Trade payables	2,507	3,440
Other taxation and social security	272	240
Other creditors	33	21
Accruals	1,957	2,011
Deferred sales income	3,050	2,457
Deferred grant income	305	2,333
Grant income received against pro-formas	5,889	6,393
	14,013	16,895

The directors consider that the carrying amount of trade and other payables approximates to their fair value. The prior year has been restated for presentational reasons (see note 28).

## 21. PROVISIONS

	Leasehold property provision	Warranty	Provision for contract losses	Other provisions	Total
	£'000s	£'000s	£'000s	£'000s	£'000s
Balance at 1 May 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)
Provision created in the year	-	(873)	(3,645)	(1,647)	(6,165)
Use of the provision	-	870	-	-	870
Release in the year	-	10	-	-	10
Balance at 30 April 2020	(750)	(848)	(3,645)	(1,647)	(6,890)

The leasehold property provision represents management's best estimate for the dilapidations work that may be required to return our old factory, office and laboratory buildings to the landlords at the end of their lease term. The existing provision is due to unwind over the next two financial years as our buildings are prepared for handover back to the respective landlords. Although the Group has taken possession of the property at Bessemer Park during the current financial year, the premises are still in the process of being adapted and fitted out. A similar property provision will be made once a suitable valuation can be undertaken and the building comes into use by the business.

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. Warranties are usually granted for a period of one year, although two-year warranties are the standard within some jurisdictions.

The provision for contract losses is created when it becomes known that a commercial contract has become onerous. Project Managers provide rolling spend forecasts, updating these as quotes are obtained. The provision is therefore based on best estimates and information known at the time to ensure the expected losses are recognised immediately through profit and loss. This provision will be used to off-set the costs of the project as it reaches completion in future periods. In the current year, the provision has arisen across our legacy projects but predominantly reflects the loss expected on the Shell project. This is expected to unwind within the next financial year.

The other provisions category relates to a provision for employer's national insurance due on share options as they exercise (see share based payment note 24).

## 22. LEASE LIABILITIES

The following table describes the types of right of use asset owned by the Group and shows the movements on lease liabilities within the year:

	Leasehold Property	Motor Vehicles	Total
	£'000s	£'000s	£'000s
Existing contracts at 1 May 2019	800	50	850
Adjustments	117	-	117
Additions	5,776	19	5,795
Interest Applied	199	4	203
Payments made	(400)	(39)	(439)
At 30 April 2020	6,492	34	6,526

Adjustments refers to contracts that have changed their length of duration or their value during the year. The interest charge appears with other interest at the bottom of the income statement and is the only value described above that affects profit or loss. Each liability is matched by a corresponding right of use asset, upon which depreciation is also charged to the income statement (see note 14). The two amounts together replace the previous accounting treatment of expensing rentals payments.

	Leasehold Property	Motor Vehicles	Total
	£'000s	£'000s	£'000s
Within 1 year	564	27	591
2-5 years (inclusive)	2,747	9	2,756
Over 5 years	7,557	-	7,557
Less:			
Future finance charges	(4,376)	(2)	(4,378)
Present value of lease obligations	6,492	34	6,526
Split:			
Due within 12 months (current)	184	27	211
Due after 12 months (non-current)	6,308	7	6,315

The estimation of the company's incremental borrowing rate (IBR) for use on the largest lease, being the Bessemer Park lease, is based on an estimate calculated by Deloitte. The assessment made assumes a CCC credit rating for the company and uses a wide range of possible outcomes between 3% and 11%. The use of 7.5% is management's best estimate of a reasonable rate to use against a secured asset. However, using a different rate within the range would give a materially different accounting outcome. To illustrate the impact this could have, the Directors have estimated the impact that using a rate of +/- 2% would have on the right-of-use asset, the lease liability and the income statement.

	Balances as at 30 April 2020		Effect on profit / loss in the year		
	Right of Use Asset	Lease Liability	Depreciation	Interest	Total effect
Incremental borrowing rate	£'000s	£'000s	£'000s	£'000s	£'000s
5.5%	6,961	6,709	193	153	346
9.5%	5,309	5,103	147	199	346

The determination of the carrying amount will not change in future years as lease liabilities are carried at amortised cost, and are not affected by future rates.

## 23. CALLED UP SHARE CAPITAL AND RESERVES

	2020	2019
	£'000s	£'000s
Called up, allotted and fully paid: 473,277,926 (2019: 324,009,397) ordinary shares of 5p each	23,664	16,200
Authorised Share capital: 473,277,926 (2019: 324,009,397) ordinary shares of 5p each	23,664	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 can move when shares are sold and represents the amount paid in excess of the nominal value when shares are issued.

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 as well as the effect of the change in exchange rates on opening and closing balances.

The Group's other reserve is retained earnings which represents cumulative profits or losses, net of any dividends paid and other adjustments.

## 24. 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.

	2020		2019	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding at the beginning of the year	12,316,745	33p	5,406,745	31p
Granted during the year	586,500	48p	7,000,000	29p
Exercised during the year	(2,213,338)	23p	-	-
Expired during the year	(203,407)	18p	(90,000)	24p
Outstanding at the end of the year	10,486,500	36p	12,316,745	31p
Exercisable at the end of the year	5,233,332	41p	5,390,339	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 2020 had a weighted average exercise price of 36p 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:

	2020	2019
	£'000s	£'000s
<b>Weighted averages</b>		
Share price	41p	31p
Exercise price	41p	31p
Expected volatility	81.9%	25%
Expected life	5 years	2 years
Risk-free rate	2.18%	4.5%

Expected volatility is a measure of the amount by which share price returns are expected to fluctuate in a period as at the date of grant. The expected volatility is an important factor in determining the value of a share option because the more volatile a share price, the greater the potential gain to the employee at the end of the period. The application guidance for IFRS 2 does not set out a prescribed method for estimating expected volatility. However, it suggests that the following factors should be considered:

- implied volatility of traded options;
- historical volatility of the share price over a period commensurate with the expected term of the share awards;
- the length of time an entity's shares have been publicly traded and that a newly listed entity might have a high historical share price volatility compared with similar entities that have been listed longer;
- the tendency of share price volatility to revert to its long-term average level; and
- appropriate and regular intervals for share price observations.

For listed companies, the normal approach is that historical share price volatility should be used as a guide to expected volatility over a commensurate period to the expected term of awards. 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	Last vesting date	Exercise price	Total shares
2011	2011	£0.3100	50,000
2011	2011	£0.6675	1,400,000
2011	2012	£0.5450	16,666
2011	2013	£0.5450	16,666
2011	2014	£0.5450	16,668
2012	2012	£0.5000	250,000
2012	2012	£0.4988	100,000
2013	2014	£0.4062	16,666
2013	2015	£0.4062	16,666
2013	2016	£0.4062	16,668
2014	2014	£0.2650	1,000,000
2018	2019	£0.3000	2,333,332
2018	2020	£0.3000	2,333,333
2018	2021	£0.3000	2,333,335
2019	2022	£0.4800	586,500

The Group has recognised a share-based payment expense in the income statement for the year, made up of two elements:

	2020	2019
	£'000s	£'000s
Share based payment expense	978	184
Provision for employers' national insurance on potential gain	1,647	-
	2,625	184

The Group have elected to pay employer's National Insurance on gains made on unapproved share options exercise to be capped at the proceeds the Group would receive from the exercise. Any further Employer's National Insurance would be recovered from the exercising party.

## 25. NOTES TO THE CASH FLOW STATEMENT

	2020	2019 (Restated)
	£'000s	£'000s
Loss from operations	(29,396)	(9,347)
IFRS 15 adjustment	-	(145)
<b>Adjustments for property, plant and equipment:</b>		
Depreciation	2,440	1,773
Share based payment	978	184
Loss on disposal	473	-
Impairment	5,588	-
Impairment reversal	-	(24)
Amortisation	197	122
Operating cash flows before movements in working capital	(19,720)	(7,437)
(Increase) in inventories	(2,525)	(1,251)
Decrease/ (Increase) in receivables	7,964	(12,887)
(Decrease)/ Increase in payables	(2,882)	8,967
Increase in provisions	5,285	757
Cash used in operations	(11,878)	(11,851)
Interest paid	(214)	(1)
Income taxes received	52	77
Net cash used in operating activities	(12,040)	(11,775)

The prior year has been restated for presentational reasons (see note 28).

## 26. NET DEBT RECONCILIATION

	Lease Liabilities	Cash	Total
	£'000s	£'000s	£'000s
Net debt as at 1 May 2018	-	20,403	20,403
Cashflows	-	(15,233)	(15,233)
Foreign exchange adjustments	-	3	3
Net debt as at 30 April 2019	-	5,173	5,173
Recognised on adoption of IFRS 16	(850)	-	(850)
Adjustments	(117)	-	(117)
Cashflows	439	34,730	35,169
Acquisition -leases	(5,795)	-	(5,795)
Other changes -interest expense	(203)	-	(203)
Foreign exchange adjustments		16	16
Net debt as at 30 April 2020	(6,526)	39,919	33,393

## 27. CAPITAL COMMITMENTS

The Group had capital commitments of £7.9m at the Balance Sheet date (2019: £1.2m). The current year total can be split into £3.2m of commitments comparable with the prior year and £4.7m for work on the Bessemer Park HQ.

## 28. PRIOR PERIOD ADJUSTMENT

A restatement of the prior period has been undertaken to correct a presentation error, matching a Trade Receivable balance with a related balance being held in Deferred Grant Income. This was for an amount of £684,000, which formed part of a grant claim invoice raised in November 2018. The amount had already been covered by pre-finance so was not still owed to ITM Power, therefore both Trade Receivables and Deferred Grant Income were overstated:

	2019 (Original)	Adjustment	2019 (Restated)
	£'000s	£'000s	£'000s
<b>Balance sheet</b>			
Trade & other receivables (Trade debtors)	31,903	(684)	31,219
Trade & other payables (Deferred Grant income)	(17,579)	684	(16,895)

## 29. 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.

### Covid-19 effect on projects

The Group has been in regular contact with customers regarding the Force Majeure situation arising as a result of the pandemic and national lockdowns. However, given the unknown timings surrounding the lifting of travel bans and the different quarantine arrangements that each country might impose, it is still not clear how long some of our projects may be affected and whether late penalties within contracts will be enforced given the circumstances. At the current time, no such penalties have been raised for discussion and thus no provision has been made in the accounts.

#### Dilapidations provision for new leasehold property

ITM Power have entered a lease at Bessemer Park and have begun to occupy the building, intending to be fully occupied before the new year, as we undertake adaptive fitout works agreed with the landlord. Once these are completed and the workforce moves fully into the building the Group will build up a provision for the purpose of restoring the building to the landlord at the end of the lease.

Given that this is fifteen years away and it has yet to be understood in what condition the landlord would expect to have the building returned (with or without the current adaptations), nothing has been recognised in the accounts. Previous dilapidations provisions for other buildings were recognised as the Group began to consider a move. The value of such a provision will need to be considered carefully and in light of the costs of restoration of these other buildings.

## 30. 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 keeps under review the need for other hedging opportunities with regards to Capital Risk Management.

The capital risk management landscape has not materially changed in the last year for the Group. Larger cash reserves gained through the fund raise have led management to put some of the funds on fixed-term deposit to generate interest. Given the Covid-19 situation, more frequent credit checks have been performed and bank guarantees sought from some suppliers where up-front payments were made.

#### Externally imposed capital requirement

The Group also have bank guarantees 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 as bank guarantees.

#### 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.

## Categories of financial instruments:

	2020	2019 (Restated)
Financial assets - amortised cost	£'000s	£'000s
Financial asset at amortised cost	137	-
Cash and cash equivalents	39,919	5,173
Trade debtors (excluding IFRS 9 impairment)	5,385	6,615
Restricted cash balances	1,083	1,692
Other receivables	869	366
Accrued Sales income	735	1,471
Accrued Grant income	1,550	6,061
	49,678	21,378

The Prior year has been restated for presentational reasons (see note 28).

The financial asset at amortised cost sits under non-current assets in the balance sheet and relates to the security deposit on our new leasehold property. The rest of 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. Accrued income amounts are included as financial assets as they relate to contractual agreements that will result in future cash inflows. ITM Power Plc do not consider there to be undue risk associated with receivables.

	2020	2019
Financial liabilities - amortised cost	£'000s	£'000s
Trade payables	2,507	3,440
Other creditors	33	21
Accruals	1,957	2,011
Lease liabilities	6,526	-
	11,023	5,472

#### Fair value through profit and loss

As at 30 April 2020, the Group had no financial instruments that were measured at fair value through profit or loss (2019: none). The carrying value of all financial instruments at 30 April 2020 and 30 April 2019 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 to the Group's Board as required.

#### 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. Sales invoices are expected to be paid within 30 – 60 days under our usual contractual terms. At the year-end there were receivables totalling £1.6m (2019: £1.4m) that were overdue but considered fully recoverable. Of this, £1.03m relates to grant claims, £0.45m has been recovered post

year-end and a further £0.11m related to temporary contractual retentions. Most of our sales income is subject to contractual terms and therefore largely protected from default. Other less material sales are followed up monthly and only written off once all internal efforts have been exhausted for their recovery.

The process and judgements made in the application of the IFRS 9 provision for future credit losses are described in note 4.

The credit risk of liquid funds (cash, cash equivalents and short-term deposits) is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

#### Liquidity and interest risk management

The Group is exposed to the interest rate risks associated with its holdings of cash and cash equivalents and short-term deposits.

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

### Foreign currency risk management

At year end, the Group did 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 at year end. 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	
	2020	2019	2020	2019
	£'000s	£'000s	£'000s	£'000s
EUR (i)	91	97	12,754	7,413
USD (ii)	100	5	1,016	977
SEK (iii)	-	-	68	300
AUD (iv)	-	-	1	-
	191	102	13,839	8,690

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

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

(iv) This is mainly attributable to the exposure to outstanding Australian Dollar 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 impact		AUD impact	
	2020	2019	2020	2019	2020	2019
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Profit or loss	93	82	34	63	46	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 £173,000 (2019: £160,000).

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.

## 31. 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 £631 (2019: £253). The balance outstanding at the year-end was £631 (2019: £59), which is deemed as being fully recoverable.

During the year purchases from Linde/BOC Group, represented on the Board by J Nowicki, totalled £1,332,449 (2019: £370,406) with only £2,427 outstanding for payment at year-end (2019: £55,725). Furthermore, an amount of £4,095,622 is recognised in prepaid suppliers, relating to stage payments made for goods. There was also a sale of £2,997, the balance of which was outstanding at the year-end.

Balances with ITM Linde Electrolysis GmbH are shown in note 12 Investments. These were also the only transactions made with that entity in the year.

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

## 32. 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.

## 33. EVENTS AFTER THE BALANCE SHEET DATE

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

## COMPANY STATEMENT OF CHANGES IN EQUITY

### YEAR ENDED 30 APRIL 2020

	Called up share capital	Share premium account	Retained loss	Total equity
	£'000s	£'000s	£'000s	£'000s
At 1 May 2018	16,200	86,631	(79,618)	23,213
Credit to equity for share based payment	-	-	105	105
Loss for the year & comprehensive loss	-	-	(21,383)	(21,383)
At 1 May 2019	16,200	86,631	(100,896)	1,935
Issue of shares	7,464	50,605	-	58,069
Credit to equity for share based payment	-	-	1,058	1,058
Loss for the year & comprehensive loss	-	-	(24,943)	(24,943)
At 30 April 2020	23,664	137,236	(124,781)	36,119

## COMPANY BALANCE SHEET

### AS AT 30 APRIL 2020

	Note	2020	2019
		£'000s	£'000s
<b>Fixed assets</b>			
Tangible assets	4	5	6
Intangible assets	5	15	2
Investments	6	28,674	-
		28,694	8
<b>Current assets</b>			
Debtors	7	375	288
Cash at bank and in hand		8,641	2,217
		9,016	2,505
<b>Creditors: amounts falling due within one year</b>			
Trade and other payables	8	(597)	(578)
Provisions	9	(994)	-
		(1,591)	(578)
Net current assets		7,425	1,927
Net assets		36,119	1,935
<b>Capital and reserves</b>			
Called-up share capital	10	23,664	16,201
Share premium account	10	137,236	86,631
Profit and loss reserve	10	(124,781)	(100,897)
Shareholders' funds		36,119	1,935

The Company reported a loss for the financial year ended 30 April 2020 of £24.9m (2019: £21.4m).

The financial statements of ITM Power Plc, registered number 05059407, were approved by the Board of Directors and authorised for issue on 22 October 2020.



Board of Directors

Andy Allen  
ITM Power Plc, Director

# NOTES TO THE COMPANY FINANCIAL STATEMENTS

## 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 basis:

Computer equipment 3 years

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

### 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 considered for any potential credit losses under the IAS 36 Impairment of Assets. 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.

During the year, the Company also invested in a Joint venture with Linde Engineering to form ITM Linde Engineering GmbH. This new company is owned equally by both investors (50% shares), although control is deemed to lie with Linde for the purposes of consolidation as they appoint the Managing Director. ITM Power has significant influence due to its representation on the Board. As such, ITM Power will equity account for this investment in associate and show it as a single line on the balance sheet, subject to recognition of its share of the profit and loss made by the entity and impairment as laid out in IAS 28."

#### 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 24 of the financial statements.

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 considered 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. Under IFRS 9 Financial Instruments, most of the company loans or subsidiary investments have been impaired to nil. With a net asset positions at the year-end, largely held in cash, the investment in ITM Power (Trading) Limited was partially impaired, and the new investment in ITM Linde Engineering GmbH was left un-impaired.

### 3. STAFF NUMBERS AND COSTS

	2020	2019
	Number	Number
Monthly average number of persons employed	5	5

	2020	2019
	£'000s	£'000s
Staff costs during the year (including Directors)		
Wages and salaries	828	704
Social security costs	128	90
Other pension costs	47	41
	1,003	835

	2020	2019
	£'000s	£'000s
Remuneration of the highest paid director		
Aggregate emoluments	323	370
Money purchase pension contributions	23	28
	346	398

As at 30 April 2020 pension contributions of £2,000 (2019: £1,000) 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
	£'000
<b>Cost</b>	
At 1 May 2019	195
Additions	2
At 30 April 2020	197
<b>Depreciation</b>	
At 1 May 2019	189
Charge for the year	3
At 30 April 2020	192
<b>Net book value</b>	
At 30 April 2020	5
At 30 April 2019	6

## 5. INTANGIBLE ASSETS

	Software
	£'000
<b>Cost</b>	
At 1 May 2019	2
Additions	20
At 30 April 2020	22
<b>Amortisation</b>	
At 1 May 2019	-
Charge for the year	7
At 30 April 2020	7
<b>Carrying amount</b>	
At 30 April 2020	15
At 30 April 2019	2

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	Investment in subsidiary undertakings	Investment in Associate	Total
	£'000s	£'000s	£'000s	£'000s
<b>Cost</b>				
At 1 May 2019	85,120	3,594	-	88,714
Additions	50,307	-	344	50,651
Foreign exchange	-	-	5	5
Share options granted to subsidiary employees	-	497	-	497
50% share of profit or loss	-	-	(3)	(3)
Transfers	(108,604)	108,604	-	-
At 30 April 2020	26,823	112,695	346	139,864
<b>Provisions for impairment</b>				
At 1 May 2019	85,120	3,594	-	88,714
Movement in year	14,129	8,347	-	22,476
Transfers	(72,426)	72,426	-	-
At 30 April 2020	26,823	84,367	-	111,190
<b>Net book value</b>				
At 30 April 2020	-	28,328	346	28,674
At 30 April 2019	-	-	-	-

Interest is charged annually upon intercompany loan balances at a rate of 1% over the Bank of England base rate. During the year, previous intercompany debt has been converted into equity. In the following amounts:

	Amount converted
Subsidiary Company	£'000s
ITM Power Research Limited	30,481
ITM Power (Trading) Limited	78,123
	108,604

As in previous years, a provision for credit losses (IFRS 9) has been made in recognition that the subsidiaries are loss-making and therefore unlikely to be able to pay their debt to the parent company in the near-term.

A further impairment of the investments has also been undertaken in line with IAS 36 Impairment of Assets. The book value remaining on investment in subsidiary undertakings reflects the net assets available within ITM Power (Trading) Limited at the year-end, as these were largely made up of cash deposits and therefore highly liquid.

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) Limited 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: Bessemer Park, Shepcote Lane, Sheffield, S9 1DZ.

The Company holds 100% of the ordinary share capital of ITM Power Pty Limited, 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 Limited, 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 investment in associate is discussed in more detail in note 12 to the consolidated financial statements but relates to the investment in ITM Linde Electrolysis GmbH.

The Company holds 50% of the ordinary share capital of ITM Linde Engineering GmbH, a company which is incorporated in Germany and its principal activity is that of the sale of large-scale electrolyser solutions. This was a new investment in the year with Linde Engineering GmbH. Both parties have an equal share of the company, although control is deemed to lie with Linde for the purposes of consolidation as they appoint the Managing Director. ITM Power does have significant influence however, with representation on the Board of Directors, and as such it is being equity accounted as an investment in associate in these statements. Registered office: Bodenbacher Str. 80, 01277 Dresden, Germany.

## 7. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2020	2019
	£'000s	£'000s
Prepayments	314	256
Other debtors	61	32
	375	288

## 8. TRADE AND OTHER PAYABLES

	2020	2019
	£'000s	£'000s
Trade creditors	228	236
Payroll creditors	21	18
Accruals and deferred income	348	324
	597	578

## 9. PROVISIONS

	Employer's National Insurance on Share Options
	£'000s
Balance at 30 April 2019	-
Provision created in the year	(994)
Use of the provision	-
Release in the year	-
Balance at 30 April 2020	(994)

## 10. SHARE CAPITAL AND RESERVES

The movements on share capital and share premium accounts are disclosed in note 23 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.

## 11. 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.

The balance with ITM Linde Electrolysis GmbH is shown under Investment in associate in note 6 and the transactions making up that amount are described more fully in note 12 to the consolidated financial statements. These were the only transactions made with that entity in the year.

## 2019/20 REGULATORY NEWS ANNOUNCEMENTS

2019		
RNS-R	US Collaboration Agreement with Iwatani	19 Nov 2019
RNS	Result of AGM	31 Oct 2019
RNS-R	Opening of HRS at Gatwick Airport	25 Oct 2019
RNS	Result of General Meeting and Open Offer	22 Oct 2019
RNS	Final Results	03 Oct 2019
RNS	Strategic Investment, Joint Venture and Fundraise	03 Oct 2019
RNS	Board Changes and Notice of Final Results	16 Sep 2019
RNS	Gigastack Feasibility Study with Orsted	29 Aug 2019
RNS-R	Equipment Sale to BOC Project in Australia	23 Aug 2019
RNS	New Factory Update	22 Jul 2019
RNS-R	British Columbia Hydrogen Feasibility Study	02 Jul 2019
RNS-R	Gasunie Plant Opening	27 Jun 2019
RNS-R	Shell Rheinland Refinery Update	25 Jun 2019
RNS	Trading and Pipeline Update	30 May 2019
RNS	Shell Collaboration Agreement	07 May 2019
RNS-R	Committee on Climate Change Report	03 May 2019

 RNS

 RNS Reach

2020		
RNS	Strategic Partnership and 10MW Electrolyser	16 Sept 2020
RNS	Retirement of Non-Executive Director	13 Jul 2020
RNS-R	EC Hydrogen Strategy Launched	08 Jul 2020
RNS	Trading Update	08 Jun 2020
RNS-R	H2OzBus Project in Australia	22 May 2020
RNS	Formation of ITM Motive & Appointment of MD	15 May 2020
RNS	Appointment of Non-executive Director	06 May 2020
RNS	Funding Award to Supply an 8MW Electrolyser	30 Apr 2020
RNS-R	Green Hydrogen for Humberside	16 Apr 2020
RNS	Gigastack Phase 2 Funding	18 Feb 2020
RNS	Half-year Report	27 Jan 2020
RNS	ITM Linde Electrolysis GmbH & Appointment of MD	23 Jan 2020
RNS	Notice of Half Year Results	15 Jan 2020
RNS-R	HyDeploy in Full Operation	02 Jan 2020

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