ITM POWER
Energy Storage | Clean Fuel

ITM POWER PLC

ANNUAL REPORT

FOR THE YEAR ENDED 30 APRIL 2021

Company Registration Number: 05059407

ITM POWER
Energy Storage | Clean Fuel

MSCI ESG RATINGS AA

CCC | B | BB | BBB | A | AA | AAA

CERTIFIED ISO 9001 · ISO 14001 ISO 45001

UKAS MANAGEMENT SYSTEMS 001

AIM LONDON STOCK EXCHANGE

GREEN ECONOMY LONDON STOCK EXCHANGE

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ITM POWER
Energy Storage | Clean Fuel

APPLICATION TREE

BESSEMER PARK

ANNUAL REPORT FOR ITM POWER THE YEAR ENDED 30 APRIL 2021

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Sir R Bone
Dr S Bourne
Dr G Cooley
Dr R Smith
Mr A Allen
Mr T Rae (Appointed 3 December 2020)
Mr M Green
Mr J Nowicki
Mrs K Roe (Appointed 6 May 2020)
Mr R Pendlebury (Resigned 31 July 2020)

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HIGHLIGHTS

DEVELOPMENTS IN THE LAST 12 MONTHS

First full year of operating the strategic partnership with Linde, which together with our investment in ITM Linde Electrolysis (ILE) GmbH, allows ITM Power to focus exclusively on the manufacture of electrolysis equipment for larger scale systems

Sale of world's largest PEM electrolyser to Linde and sale of first MW-scale electrolyser to Sumitomo for deployment in Japan

Commercial partnership agreement with Snam (one of the world's leading energy infrastructure operators), including a £30m strategic investment and an initial 100MW preferred supplier commitment to 2024

Successful equity fund raise of £172m (including the Snam investment) to accelerate development

Completion of the world's first electrolyser Gigafactory, expected to reach annual production capacity of 1,000MW per annum by end 2023 and official opening by the Business & Energy Secretary, Kwasi Kwarteng

Contracts backlog of £171m (2020: £119m) constituting 310MW of electrolysers up 44% YoY

£36m (2020: £16m) of contracted backlog (Work in Progress) up 125% YoY representing 43MW of electrolysers

10MW of the backlog (Work in Progress) is the REFHYNE I project recognised over time

The balance of the backlog (Work in Progress) is expected to be delivered in FY22

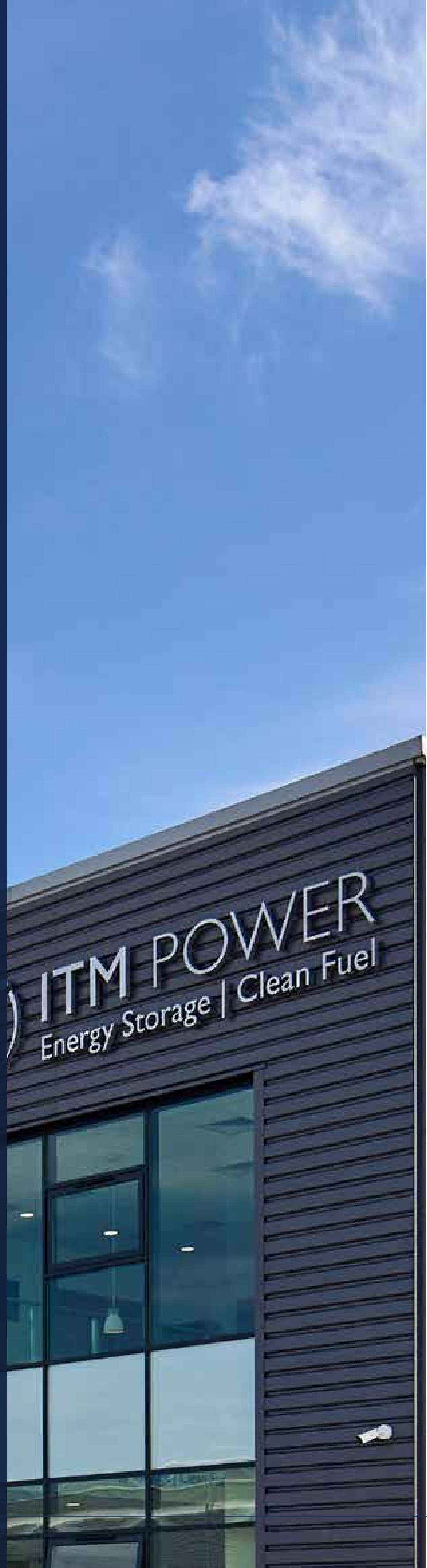
Tender pipeline value to ITM Power of £378m (2020: £195m), up 94% YoY

Tender pipeline constitutes 1,011MW of potential electrolysis demand

Installation of the 10MW REFHYNE I project completed, with expansion by 100MW planned for REFHYNE II, at Shell's Rhineland Refinery

Refuelling assets now grouped together under ITM Motive, with focus shifting to larger scale refuelling projects for fleets, buses and trains to increase profitability and provide a more appropriate structure for sustainable growth of the network

Part of consortium awarded €5m for the OYSTER Project to Study Offshore Green Hydrogen Production



2021 FINANCIAL RESULTS

Total Revenue & Project Grant Funding of £5.1m (2020: £5.4m) down 6%, comprising:

- Sales revenue: £4.3m (2020: £3.3m) up 30%
- Collaborative grant income recognised: £0.8m (2020: £2.1m) down 63%

Loss from operations £26.7m (2020: £29.4m), reduced by 9%
Adjusted EBITDA loss (see note 6) £21.4m (2020: loss £18.1m), increased 18%
Available cash balance of £176.1m at year-end (2020: £39.9m)

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 Group in a good position to service markets internationally both now and in the future.

One such partnership with Optimal Group Australia will provide long-term commissioning, operational and maintenance support, enhancing ITM Power's capabilities to deploy skilled engineering resource and spare parts for its customers across Australia. To ensure that ITM Power's customers continue to enjoy the benefits of low cost and low carbon energy well into the future, Optimal will provide nationwide service and support through its network of factory certified ASP's (Authorised Service Personnel).

The provision of a 0.7MW HGas electrolyser system for use in a hydrogen microgrid project in Tasmania supported by the Federal Government's Blue Economy CRC programme will be the first deployment with Optimal and a platform for training (through ITM Power's Hydrogen Academy).

The sale of a 2.0MW electrolyser to Sumitomo Corporation will be used as an important reference plant for further sales in Japan through our partnership with Sumitomo. This will be the first MW scale electrolyser system ITM Power has deployed in Japan. The HGas3SP product will undergo modification to ensure hydrogen supply pressure is below 10 bar in order to comply with Japan's High Pressure Gas Safety Act.

ITM Power and Sumitomo are continuing their collaboration in the areas of business development, local compliance and after sales support to ensure a comprehensive green hydrogen offering in Japan.

Graham Cooley, CEO, commented

> "2021 has been another transformational year for ITM Power. We attracted a strategic investor in Snam S.p.A., and through our fund raise in October 2020 gave ourselves a platform to deliver to market our next generation product, the 5MW Gigastack, two years earlier than previously planned. We also moved into Bessemer Park, the world's largest PEM electrolyser factory and commenced manufacturing there in January 2021. We have seen national commitments to net zero accelerate, and I believe we are very well placed, with our partner Linde, to address the rapidly growing demand in the market."

CHAIRMAN'S STATEMENT

The year to April 2021 was a further year of innovation and growth for the Group, as the build of Bessemer Park, our new 1GW factory concluded, and the Group started to win its first contracts through its joint venture with Linde GmbH, ITM Linde Electrolysis GmbH. The partnership with Linde has enabled the Group to concentrate more directly on its key manufacturing capabilities, and to develop a more comprehensive, solutions-led approach to an increasing number of addressable markets, both in geography and application.

During the year, the Group completed a £172m 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 demand for larger systems. The opportunity pipeline has grown significantly. New and larger systems, using the Gigastack, remain on track for factory readiness in late 2022 and are already being bid into a growing range of projects.

During the past year the Group made changes to the board, with Katherine Roe joining the board, and leading both the Remuneration Committee and the ESG Committee. In December 2020, Tom Rae also joined the board as nominee director of JCB.

In May two important reports were published regarding the macro market dynamics for hydrogen. The IEA (International Energy Agency) report "Net Zero by 2050; A roadmap for the Global Energy Sector" stated that to get to net zero by 2050 the world needs 322m Tonnes of electrolytic hydrogen and a global electrolyser capacity of 3,585GW' The Aurora Energy report "HyMAR" identifies a current pipeline of electrolysers of over 200GW with 85% of the 200GW is in Europe.

National electrolyser targets increased from 40GW to 144GW in the year and the EU announced its new net-zero law. China also declared net-zero by 2060. The US re-joined the Paris Agreement on Feb 19th, 2021 and declared its first DOE "Earthshot" for Green Hydrogen on 7th June 2021. Global demand for electrolysers from industry, to decarbonise production processes, and from utilities and power companies, to store renewable energy, is accelerating.

SIR ROGER BONE AND JUAN CARLOS JOBET, MINISTER FOR ENERGY AND MINING IN CHILE

The potential scale of demand originally underpinned the Group's decision to invest in a step change in capacity at the new Bessemer Park facility. In the event, the new 1GW per annum capacity is likely to be fully utilised earlier than originally envisioned, as evidenced by tendering activity and ITM Power's backlog of firm orders. As the drive to achieve net zero targets continues, the market for large scale electrolysis equipment to produce green hydrogen may well become supply constrained.

In closing, I would like to thank all shareholders, old and new, for their support and to recognise the significant achievements of the staff at ITM Power resulting from their hard work in 2020 and 2021.

Roger Bone

SIR ROGER BONE
Chairman

CORPORATE UPDATE

COVID-19

Covid-19 has continued to have an impact on the normal operations of the Group. Staff who can work from home have been doing so throughout the financial year, supported through VPN access, Microsoft Teams, various sharepoint spaces dealing with wellness and mental health related topics and more recently, an internal network space called Yammer that aims to provide a community spirit to the workforce.

As reported in our previous financial statements, the factory was temporarily reduced to a skeleton staff at the start of the 2020-21 financial year, with 29 production staff furloughed under the government job retention scheme while changes were implemented to ensure the premises were Covid-secure.

In early June, we began the process of returning people to the factory. This required risk assessments of 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.

With Bessemer Park available for office use from the autumn and a transfer of the factory after the Christmas break, we have additional flexibility and space to enable staff to come into work safely, whilst ensuring numbers remained manageable within social distancing guidelines. This has allowed us to offer alternatives for people who have been struggling to work from home.

Management continued to monitor the effect of Covid-19 to deploy personnel efficiently to project site works in order to minimise project delays, utilising European and third party engineers in locations to which UK staff could not travel. A contingent liability has been disclosed in note 28 to the accounts concerning the delays caused by different national Covid strategies and rules, and how this may impact our resources across our ongoing projects.

Further information about how the Group has supported its workforce can be found in the Corporate Governance Report.

MARKETING UPDATE

ITM Power has been developing a dedicated Training and Marketing suite facility at the Bessemer Park Gigafactory, which will enable the business to host our own marketing and training events, as well as provide a venue for National and International conferences that align with ITM Power's objectives. The Marketing suite can provide seating for over 100 attendees and will become an important marketing resource as the world opens up again post-Covid.

The business has hosted a number of visitors as the Covid restrictions have started to be lifted, including Mr Clive Betts, the Member of Parliament for Sheffield South East and a delegation from Chile's Energy and Mining Ministry, led by Minister Juan Carlos Jobet.

The Group has been active in supporting the Gigastack project and developing communications alongside BEIS, Ørsted and Phillips 66 Limited. The project won the Humber Renewables Award for Innovation in March 2021, and published a project update in May this year, with the final report due in September 2021.

This year the Covid restrictions have continued, and exhibitions including the Hannover Messe, normally a key event in ITM Power's calendar and the source of much interest for our technology, have been cancelled or limited to online activities. The Group continues to send out regular communications via a newsletter and we have a growing number of sign-ups to receive the news from ITM Power.

KWASI KWARTENG MP AT BESSEMER PARK

BESSEMER PARK – GLOBAL MANUFACTURING HQ, SHEFFIELD

The fit out of the 1,000MW per annum Gigafactory at Bessemer Park reached 'Practical Completion' – the handover to the Group by the contractors of the completed building – in January 2021, having suffered only a minor delay from the Covid-19 pandemic. The completed fit out included an expansion of the existing offices, enlargement of the stack manufacturing and production areas and a dedicated ATEX rated space for factory acceptance testing of products, all coupled with the necessary 5MW power supply on site.

The Gigafactory also houses the 24-hour remote and technical monitoring centre that will support ITM Power's after-sales service proposition, the Marketing centre, Technology centre and component stores. The site, just off J34 of the M1 in Sheffield will welcome visitors in the near future, with the creation of the conferencing facility, as well as a Hydrogen Academy to support the training of apprentices, local engineers and customers, together with facilities for site visits by customers, shareholders and other stakeholders.

The ITM Power Gigafactory delivers a blueprint for a high capacity, semi-automated PEM electrolyser manufacturing facility, which can be readily replicated elsewhere, enabling a local facility to be planned and rapidly deployed in response to large order volumes.

The factory was officially opened by the Rt Hon Kwasi Kwarteng, Secretary of State for Business, Energy and the Environment on 17 August 2021 as he launched the UK Government's Hydrogen Strategy.

Business & Energy Secretary Kwasi Kwarteng:

> "Hydrogen has the potential to provide a third of the UK's energy in the future. Our first-ever Hydrogen Strategy sets out how we will back this technology, ramp up domestic production and create a new, British industry that will thrive over the next decade and beyond.
>
> ITM Power is at the forefront of manufacturing green hydrogen and its world-leading technologies are already playing an important role in cutting emissions as the UK moves away from fossil fuels, helping us meet our climate commitments, while creating thousands of high-quality jobs and unlocking billions-of-pounds of private investment."

PRODUCTS AND TECHNOLOGY

BESSEMER PARK

SIR ROGER BONE AND JUAN CARLOS JOBET AT BESSEMER PARK

ITM Power continues to place strategic focus on the development of its technology. The opening of Bessemer Park earlier this year saw the Product Development and Technology teams relocate into the new Technology Centre. The additional space provides an excellent location to build on the Group's 20 years of experience and accelerate key development activities.

The ITM Power technology roadmap is focused on reducing cost, increasing efficiency and expanding production capacity of our electrolyser stacks and products. Particular emphasis has been placed on verification of improvements at the stack level. These have included improved membrane materials, ultra-low catalyst loadings and in-house component preparation. The now co-located technology and production teams work closely together as new manufacturing machines are adopted by the business to underpin production capacity ramp up and prepare for the larger 5MW Gigastack platform.

Product cost reduction is an important focus area for ITM Power. Last year the Group presented a full system price reduction plan including a target to halve the average product price within five years. The strategy to achieve these improvements is centred on standardisation and modularisation of the product offering alongside fully leveraging global buying power of partners and an integrated technology roadmap. The single biggest gains are available from the PEM stack and the power conversion systems. ITM Power has brought key stack preparation processes in-house with the move to Bessemer Park.

Together with semi-automation and in-line quality assurance, this has achieved both cost reduction and capacity expansion for the stack platform.

Another focus area has been continued reduction of precious metal loading. Over the last 10 years, the use of precious metals within ITM Power stacks has reduced by over 80%. This core competency and vertical integration enabled ITM Power to achieve the 2030 EU target of 0.4mg/W for precious metal loading for electrolysers in 2019 and significant further progress has been made since then. As a manufacturer of its own catalyst inks, ITM Power has been working on the reduction, recycling and reuse of precious metal catalyst loading for 20 years. As part of the Group's existing cost reduction plan, these developments will be rolled out in phases, subject to ITM Power's well-established verification process. This long running activity makes an important contribution to cost reduction and provides some insulation against the risk of supply constraints in the precious metal supply chain.

OVER THE LAST 10 YEARS, THE USE OF PRECIOUS METALS WITHIN ITM POWER STACKS HAS REDUCED BY OVER 80%

DR GRAHAM COOLEY WITH KWASI KWARTENG MP

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, which underly 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 and its subsidiary undertakings when viewed as a whole.

BUSINESS MODEL

INTRODUCTION

ITM Power 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 of the systems to respond rapidly and to generate hydrogen at a pressure, flow rate and purity appropriate to its application.

ITM Power is a globally recognised expert in hydrogen technologies with the overarching principle of taking renewable energy from the power network or other directly coupled sources, converting it into green, zero-carbon-footprint hydrogen and using it in one of three broad applications – Power to Gas, Clean Fuels and Industrial Hydrogen. There has been significant growth in demand for these applications in the market place and the directors continued to believe that all of these markets will grow further over the coming 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.

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

WORKING WITH SNAM S.P.A.

As part of the strategic fund raise in October 2020, Snam invested £30 million in ITM Power, and entered into a Commercial Partnership Agreement between the businesses, which included preferred supplier status for the first 100MW of Snam's PEM electrolyser orders for delivery by 2024/2025.

The Commercial Partnership Agreement also includes the potential for collaboration on a global pipeline of further projects. Since the partnership was agreed in October 2020, initial discussions have taken place between ITM Power and Snam to establish best practices for working and partnering on projects.

SNAM have also taken positions on the Technology Management Committee and Strategic Advisory Committee within the ITM Power business.

WORKING WITH LINDE GMBH

Following on from Linde GmbH's strategic investment in ITM Power and the establishment of ITM Linde Electrolysis GmbH, in which ITM Power holds a 50% stake, work has continued to develop and embed the strategic partnership with Linde. This partnership allows each company to focus on its core competencies, with ITM Power to focus solely on its prime source of competitive advantage – the efficient manufacture and supply of best in class PEM electrolysers, while Linde will provide its world leading EPC services to offer best-available hydrogen solutions to customers.

This partnership is now starting to bear fruits, with the signing in January 2021, of the first contract under the partnership, to build, own and operate the world's largest PEM electrolyser plant at the Leuna Chemical Complex in Germany. This new 24-megawatt electrolyser, supplied by ITM Power will produce green hydrogen for industrial customers through Linde's existing pipeline network. In addition, Linde will distribute liquefied green hydrogen to refuelling stations and other industrial customers in the region. The total green hydrogen to be produced from the electrolyser system could fuel approximately 600 fuel cell buses driving 40 million kilometres and save up to 40,000 tons of carbon dioxide exhaust emissions per year.

THE PIPELINE OF POTENTIAL PROJECTS COMING THROUGH THE JOINT VENTURE CONTINUES TO GROW AND THE RELATIONSHIP WITH LINDE CONTINUES TO **STRENGTHEN AT ALL LEVELS**

BESSEMER PARK

BUSINESS ENVIRONMENT & ANNUAL REVIEW OF THE BUSINESS

EUROPEAN COMMISSION ANNOUNCES HYDROGEN STRATEGY, ENERGY SYSTEMS INTEGRATION STRATEGY AND CLEAN HYDROGEN ALLIANCE

In July 2020, the European Commission announced its EU Hydrogen Strategy and its Energy Systems Integration Strategy. The announcement prioritised the development of renewable hydrogen, produced using mainly wind and solar energy and went on to state:

- From 2020 to 2024, we will support the installation of at least 6 gigawatts of renewable hydrogen electrolysers in the EU, and the production of up to one million tonnes of renewable hydrogen.
- From 2025 to 2030, hydrogen needs to become an intrinsic part of our integrated energy system, with at least 40 gigawatts of renewable hydrogen electrolysers and the production of up to ten million tonnes of renewable hydrogen in the EU.
- From 2030 to 2050, renewable hydrogen technologies should reach maturity and be deployed at large scale across all hard-to-decarbonise sectors.

To help deliver on this Strategy, the Commission has launched the European Clean Hydrogen Alliance, which aims to build up an investment pipeline for scaled-up production and support demand for clean hydrogen in the EU.

RenewableUK CEO Hugh McNeal:

> Green hydrogen has a key role to play alongside renewables in the transition to a net zero energy system. RenewableUK and our members see enormous potential for renewable hydrogen in the decarbonisation of industry, heating, heavy transport and shipping, as well as offering a large-scale energy storage solution. Renewable hydrogen is set to be a game-changer for decarbonising our economy and, with the right policies in place, the UK can be a world-leader in this market.

In August 2021, the UK government set out its own Hydrogen Strategy to drive forward a green industrial revolution and meet their ambition for 5 GW of low-carbon hydrogen production capacity by 2030. The Strategy sets out a policy landscape to identify priorities and support mechanisms for rolling out green hydrogen production in the UK. It includes a Hydrogen Business Model designed to overcome the cost gap between low-carbon hydrogen and fossil fuels and a Net Zero Hydrogen Fund for the commercial deployment of new low-carbon hydrogen production plants across the UK.

POWER-TO-GAS

As governments and supra-national bodies continue to legislate for the reduction of emissions following the COP21 Paris Agreement on climate change, planting up with renewable generation has increased the need for energy storage to address the challenge of intermittency. Battery technology cannot achieve this at the scale required. Thus, 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'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 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

THE OYSTER PROJECT

THE OYSTER PROJECT TO STUDY OFFSHORE GREEN HYDROGEN PRODUCTION

The Fuel Cells and Hydrogen 2 Joint Undertaking (FCH2-JU), a public private partnership of the European Commission, has made an award of €5m to investigate the feasibility and potential of combining an offshore wind turbine directly with an electrolyser and transporting renewable hydrogen to shore.

To realise the potential of offshore hydrogen production, there is a need for compact electrolysis systems that can withstand harsh offshore environments and have minimal maintenance requirements while still meeting cost and performance targets that will allow production of low-cost hydrogen. The project will provide a major advance towards this aim. The electrolyser system will be designed to be integrated with a single offshore wind turbine, and to follow the turbine's production profile. Furthermore, the electrolyser system will integrate desalination and water treatment processes, making it possible to use seawater as a feedstock for the electrolysis process.

The OYSTER project partners share a vision of hydrogen being produced from offshore wind at a cost that is competitive with natural gas (with a realistic carbon tax), thus unlocking bulk markets for green hydrogen making a meaningful impact on CO2 emissions, and facilitating the transition to a fully renewable energy system in Europe. This project is a key first step on the path to developing a commercial offshore hydrogen production industry and will demonstrate innovative solutions with significant potential in Europe and beyond.

The project is planned to start in 2021 and run to the end of 2024, over which time the consortium will develop and test a megawatt-scale fully marinised electrolyser in a shoreside pilot trial. ITM Power is responsible for the development of the electrolyser system and the electrolyser trials, while Ørsted will lead the offshore deployment analysis, the feasibility study of future physical offshore electrolyser deployments, and support ITM Power in the design of the electrolyser system for marinisation and testing. Siemens Gamesa Renewable Energy and Element Energy are providing technical and project expertise.

Anders Christian Nordstrøm, Vice President and Head of Ørsted's hydrogen activities:

"To create a world that runs entirely on green energy, we need to electrify as much as we can. However, some sectors cannot decarbonise through electrification and that's where renewable hydrogen could play a significant role. Offshore hydrogen production could be a future, supplemental way of getting large amounts of energy generated from offshore wind power to shore. As the largest offshore wind company in the world, we're of course keen to better understand what it will take to produce renewable hydrogen offshore as a potential future supplement to production of renewable electricity. Having pioneered the offshore wind industry, we know that thorough analysis and testing are required before deploying new technologies at sea."

CLEAN FUEL

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. Hydrogen fuel is generated on site by ITM Power'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

ITM Power continue to roll out a network of hydrogen refuelling stations in the UK and was proud to play a part in the support of key workers during the Covid-19 lockdowns. In the year, the Group dispensed 14 tonnes of hydrogen from its refuelling stations (2020: 31 tonnes).

The Group recently completed work on its ninth UK public access hydrogen refuelling station (HRS) at Tyseley Energy Park in Birmingham. This is due to be joined by a bus refueller in the coming months.

Post year-end plans were announced to group ITM Power's refuelling station portfolio into a separate subsidiary, ITM Motive. The strategy will be to focus on larger scale refuelling for fleets of vehicles while the public stations build their revenue. ITM Motive continues to work closely with its partners across the entire supply chain and is particularly excited to see OEMs bringing new vehicles to the market including the MK2 Mirai this year, several bus options, and coming early next year trucks from Hyzon and panel vans from a range of manufacturers including Vauxhall in the UK. The availability of a wide range of vehicle options should lead to a significant growth in the market.

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 has won contracts to supply on-site hydrogen generation equipment for refuelling in the UK, France, the US and Australia.

ITM REFUELLING SITE

'GREEN HYDROGEN FOR SCOTLAND' TO HELP REACH NET ZERO TARGET

A pioneering strategic partnership has been established to create new green hydrogen production facilities with clusters of refuelling stations across Scotland. These clusters will allow Scotland's abundant renewable power generation capacity to be converted to hydrogen for use by vehicles, supporting efforts to achieve net zero by 2045. 'Green Hydrogen for Scotland' will 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 planning application has now been made for a proposed green hydrogen production facility located on the outskirts of the city at ScottishPower Renewables' Whitelee Wind Farm, the UK's largest onshore wind farm. This will be operated by BOC, using wind and solar energy to power a 20MW electrolyser, delivered by ITM Power. This represents a doubling in the electrolyser scale capacity originally envisaged and is in response to market demand. 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.

Lindsay McQuade, CEO of ScottishPower Renewables:

> "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."

WHITELEE WIND FARM

H2OZBUS PROJECT - DEPLOYING HYDROGEN FUEL CELL BUS FLEETS FOR PUBLIC TRANSPORT ACROSS AUSTRALIA

In May 2020, ITM Power announced the formation of the H2OzBus Project and the signing of a memorandum of understanding with strategic partners. The project will focus on infrastructure requirements and detailed plans for an initial deployment of 100 hydrogen fuel cell electric buses in up to 10 central hub locations across Australia where interest and demand for fuel cell buses has already been identified. This aligns well with ARENA's (Australian Renewable Energy Agency) key investment priorities in Accelerating Hydrogen and Decarbonising Industry.

The key expertise of each partner and their proposed roles in the project are: ITM Power and BOC will provide the hydrogen production and refuelling infrastructure; Ballard Power Systems will supply the fuel cell system to be integrated into the electric buses supplied by supporting bus manufacturers; Transit Systems, will maintain and operate the vehicles as part of their daily urban transit operations (or within a strategically located project managed by Transit Systems), and: Palisade Investment Partners will assist in providing funding and strategic financial oversight, for the project.

Roger Lloyd, Managing Director & CEO of Palisade Investment Partners:

> Palisade believes green hydrogen will play an important role in the further decarbonisation of our economy, providing an alternate fuel source and an energy storage mechanism. We are an active investor in renewable energy and transportation and are delighted to work with industry leading partners and the Government on the H2OzBus project.

GREEN HYDROGEN PROJECT IN HERTEN, GERMANY WITH LINDE ENGINEERING

Linde Engineering announced its successful bid for the design and construction of an integrated hydrogen refuelling station and electrolysis plant for AGR in Herten, confirming that ITM Power is the preferred supplier of the electrolysis equipment envisioned by the project.

The project is receiving funding from the German Federal Ministry of Transport and Digital Infrastructure.

The electrolysers will have an annual capacity of around 440,000 kg of hydrogen with electricity coming from AGR's waste-to-energy thermal power plant, where municipal and commercial waste with a biogenic content of around 50 percent serves as the primary fuel source. The planned refuelling station will be able to fill vehicles at 350 bar and 700 bar and therefore will be suitable for both cars and trucks, including AGR's own fleet of waste trucks.

Through the thermal recycling of local waste and its conversion into hydrogen, the undertaking is a successful example of the circular economy in action, providing an important reference site for the municipality market.

Joachim Ronge, Chairman of AGR's Management Board:

> For years we have been pursuing a strategy of high energy recovery in connection with disposal security and climate protection.
>
> After increasing district heat supply starting in 2019, we have been making further steps toward more climate protection by producing hydrogen together with other companies. Thermal waste treatment offers excellent conditions to implement this technology to decarbonize logistics: Waste collection vehicles deliver waste with biogenic content, and the energy it contains is transformed into hydrogen. The waste collection vehicles are then refuelled with the resulting green hydrogen.

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-reformation 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's PEM electrolysers could provide an immediate backup solution to prevent production downtime and preserve security of hydrogen supply.

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 CO2 for each tonne of liquid steel produced. The substitution of hydrogen for carbon has the potential to significantly reduce CO2 emissions, because hydrogen is an excellent reducing agent and produces only water as a by-product.

SALE TO LINDE OF WORLD'S LARGEST PEM ELECTROLYSER

In January 2021, Linde announced that it will build, own and operate the world's largest PEM electrolyser plant at the Leuna Chemical Complex in Germany. This new 24-megawatt electrolyser will be supplied by ITM Power to produce green hydrogen for industrial customers through Linde's existing pipeline network. In addition, Linde will distribute liquefied green hydrogen to refuelling stations and other industrial customers in the region.The total green hydrogen to be produced could fuel approximately 600 fuel cell buses driving 40 million kilometres and save up to 40,000 tons of carbon dioxide exhaust emissions per year.

Jens Waldeck, President Region Europe West, Linde:

> "Clean hydrogen is a cornerstone of the German and EU strategies to address the challenge of climate change. It is part of the solution to help reduce carbon dioxide emissions across many industries, including chemicals and refining. This project shows that electrolyser capacity continues to scale up and it is a stepping stone towards even larger plants."

PLANNED 100MW EXPANSION OF THE SHELL REFINERY PROJECT

In February, Shell announced plans to increase the capacity of the ITM Power PEM electrolysis plant by 100MW at its Rhineland Refinery in Germany. Shell's partners for the Refhyne II electrolysis project are ITM Power, ITM Linde Electrolysis and Linde. Subject to finalising contracts and securing some match funding, the partners will work with the Shell to effect this upgrade.

Shell intends to manufacture sustainable aviation fuels in the Wesseling section of the Rhineland Refinery. To this end, the company wants to set up a first commercial Bio Power-to-Liquid plant. The synthetically produced kerosene is intended to help reduce airlines' CO2 footprint. Construction of this facility could start in 2022, pending final investment decisions. Both the electrolyser upgrade and the synthetic kerosene projects are integral parts of the planned transformation of the site into the "Shell Energy and Chemicals Park Rhineland".

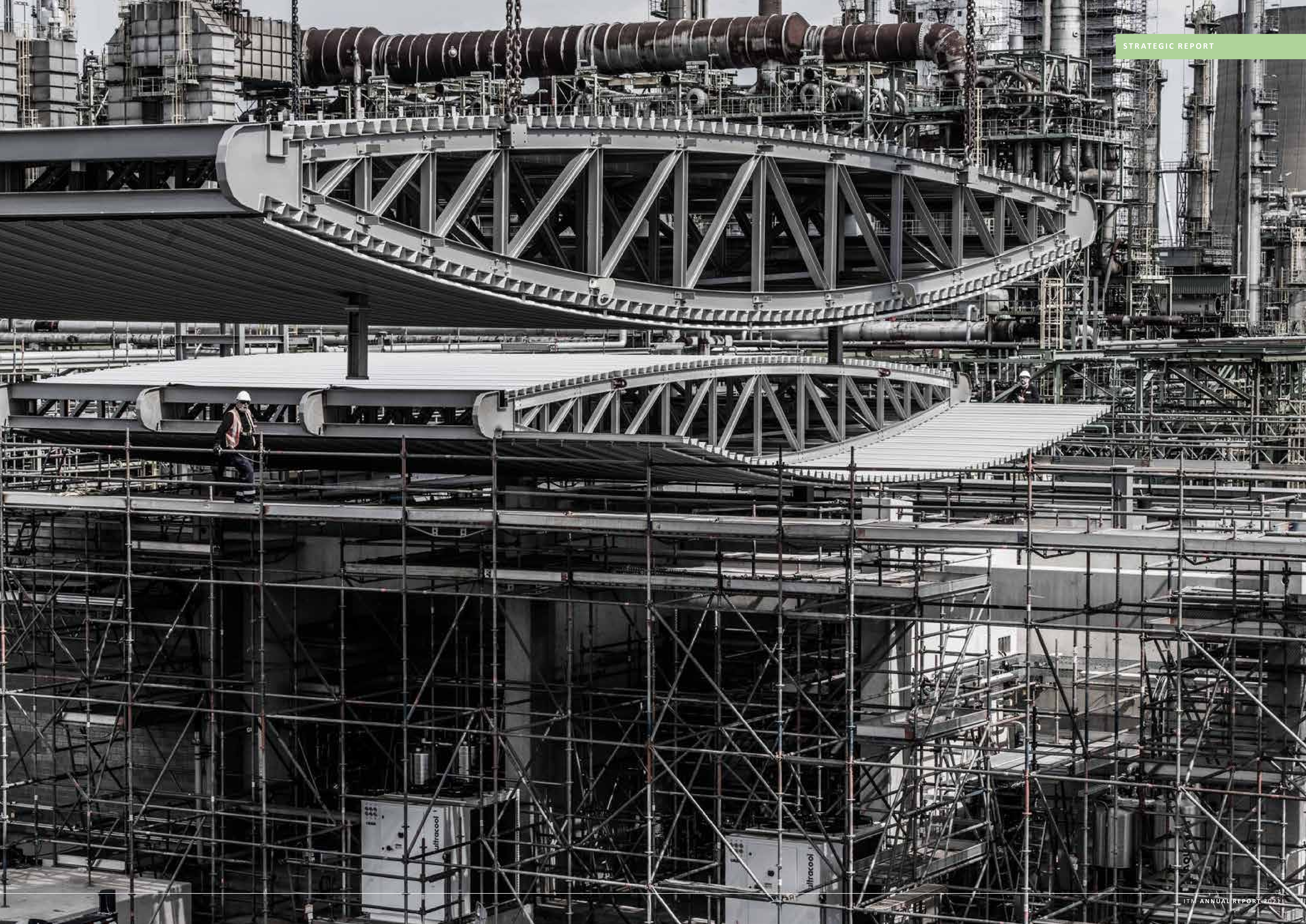
Dr. Fabian Ziegler, CEO of Shell Deutschland Oil

> "We will only be able to maintain mobility in the future if it is made more sustainable and vehicles on the road, on water and in the air can significantly reduce emissions. To make this possible, the product portfolio of the area will and must change significantly. As a partner to business, politics and society in the Rheinische Revier, Shell would like to drive its change."

ELECTROLYSER SALE TO LINDE FOR H2POWER IN AUSTRIA

One of the main goals of the H2Pioneer project is demonstrating the production of green hydrogen on-site to be used in semiconductor production, mostly replacing the supply of liquefied hydrogen delivered in trailers. An HGas3SP (2MW) electrolyser system will produce green hydrogen, which after further purification by Linde will be ultra-pure and suitable for semiconductor manufacture. The use of electrolysis simplifies downstream hydrogen purification and minimises delivery logistics while helping to reduce carbon dioxide emissions from the hydrogen supply chain. This is an industry that Linde understands very well and for which it has numerous existing customers worldwide but will be a new industry for ITM Power technology.

THE USE OF **ELECTROLYSIS SIMPLIFIES DOWNSTREAM HYDROGEN PURIFICATION** AND **MINIMISES DELIVERY LOGISTICS** WHILE HELPING TO **REDUCE CARBON DIOXIDE EMISSIONS** FROM THE HYDROGEN SUPPLY CHAIN



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:

PRODUCT SALES

ITM Power positions itself as a 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 core technology.

CONSULTING CONTRACTS

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 CONTRACTS

ITM Power offers warranties on systems alongside remote support and maintenance contracts. The Group expects to generate a growing long-term income stream from these activities as system deployments continue.

FUEL & OTHER SALES

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 individual users from our Hydrogen Refuelling Stations (owner-operator model). These sales are retail in nature, occurring at a point in time. Other income may be received and accounted in a similar way e.g. scrap sales.

GRANT FUNDING FOR INNOVATION AND SCALE UP

The Group utilises funding from grant bodies to contribute towards research and the technical advancement of its electrolyser products through generating greater efficiencies and cost reductions for ITM Power systems.

FINANCIAL PERFORMANCE

Sales revenues in the year were largely generated from product sales and consultancy. This was predominantly from two major projects, the REFHYNE I electrolyser build and the design and proof of concept project commissioned by BEIS.

Whilst the investment partnership with Linde has started to generate new contracts, the revenues and cost of sales from these have not yet materialised, owing to the accounting treatment under IFRS 15 Revenue from Contracts with Customers which will keep our standard product sales in WIP until handover to the customer, marking the completion of the performance obligation. Thus, the gross margin is still heavily influenced by legacy projects and the challenging EPC scope of the works contracted, particularly when hampered further by Covid-19 restrictions.

Fuel sales also suffered through Covid-19 lockdowns, generating only £0.2m (2020: £0.4m), despite continuing to provide hydrogen road fuel to emergency service workers.

New collaborative project funding recognised in the year was £0.8m. This has funded research and data collection projects.

The pre-tax loss for the year under review decreased to £27.6m (2020: £29.5m). The prior year contained the significant impairment of our refuelling assets but despite the continuing growth of the workforce, costs have also been kept in check this year through a combination of reduced expenditure during Covid-19 lockdowns and through closure of our previous properties, leading to a consolidation of related service expenditure that will continue into the new financial year.

Net cash burn increased to £32.7m before fund raise (2020: £23.3m). Cash burn is a non-statutory measure the directors use to monitor the Group, and is calculated by deducting from annual cash flow (£136.2m) the effects of any equity fund raise after costs (£168.9m). 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 £11.1m in 2020 to £12.4m in the current financial year. Within this cash burn figure, there was the completion of our new building and the fit-out of the factory, from which we have been operating since January.

FINANCIAL POSITION

In the year, the Group capitalised development costs of £1.5m (2020: £1.6m). This was for design of standard products that will facilitate our offering to the markets and developments to adapt our core technologies for new potential uses. The directors see continued product development as key to building commercial traction.

There was an increase in fixed assets (excluding right of use assets) to £13.5m from £6.5m in the prior year. The uplift relates to the leasehold improvements at our new premises and the kitting out of all the new areas, including labs, factory, test bays and offices.

At year end, ITM Power had current assets totalling £205.5m (2020: £67.5m). Funds in the bank totalled £177.1m (2020: £41.0m), of which there were amounts on guarantee (restricted cash) of £1.0m (2020: £1.1m). 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 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 decreased from £22.1m (2020) to £21.9m. However, this balance is no longer dominated by pro forma and early stage payments made to suppliers for stock items required in the next wave of units through production. Instead the balance is split fairly evenly between trade debtors, prepayments, accrued income and accrued project income. The effort to reduce the number of prepaid suppliers will continue into the new financial year but has been aided by an improved credit rating and a review of our approved supplier base. Prepayments totalled £6.5m (2020: £13.3m), down 51%.

Trade debtors in the prior year predominantly related to grant income debtors, whereas in the current year it is purely made up of commercial customers (2021: £5.5m and 2020: £5.3m). At year end, the Group had trade creditors of £1.2m against a prior year balance of £2.5m.

Overall, creditors have decreased from £14.0m (2020) to £12.9m. The figure continues to be dominated by deferred income (£9.0m in the current year and £9.2m in 2020), which for the most part this year reflects money received up front on contracts. This is partly due to the timing of contracts as we embarked on the next wave of commercial contracts but also point in time revenue recognition now that we have moved on to standard product sales (see revenue policy note explaining the treatment under IFRS 15).

KEY FINANCIALS

A summary of the financial KPIs discussed throughout the annual report is set out in the table below:

	2021 £m	2020 £m	2019 £m
TOTAL PROJECTS INCOME, BEING SALES AND GRANTS RECEIVABLE (AS SPLIT BELOW)	5.04	5.35	17.56
OF WHICH: SALES REVENUE	4.28	3.29	4.59
OF WHICH: GRANT RECOGNISED IN THE INCOME STATEMENT	2.12	2.47	7.23
OF WHICH: GRANT RECOGNISED ON THE BALANCE SHEET*	(1.35)	(0.42)	5.74
PRE TAX LOSS	27.65	29.52	9.32
ADJUSTED EBITDA	(21.4)	(18.1)	(7.3)
PROPERTY, PLANT AND EQUIPMENT PLUS INTANGIBLE ASSETS	16.78	8.66	6.41
NET ASSETS	197.44	55.75	26.21

*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.

NON-FINANCIAL KEY PERFORMANCE INDICATORS

	FY 2021	FY 2020	FY 2019	FY 2018	FY 2017
FUEL DISPENSED (KG)	14,452	30,707	31,984	13,036	1,043
FUEL CONTRACTS SIGNED	40	36	33	20	14

No expectations have been set with regards to KPI but prior years provide a baseline.

Fuel dispensed has been affected by the Covid-19 lockdowns in the year with people working from home and not travelling to events or meetings.

The number of new fuel contracts 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. New contracts in the current year were mainly foreign one-off users.

EVENTS AFTER THE BALANCE SHEET DATE

Post balance sheet, a new subsidiary was created to house the refuelling assets that had previously sat within ITM Power (Trading) Limited. ITM Motive Limited will own and operate the UK refuelling stations in order to drive their profitability. It is a 100% owned subsidiary so there will be no material impact on the consolidated accounts.

OUTLOOK

Against a rapidly growing market backdrop ITM Power has made strong progress in the period, laying the foundations to deliver turnkey solutions that include the Group's manufactured products to markets as a result of partnering with world-class EPC provider Linde. The near-term outlook is positive as the record backlog reflects the demand for larger systems, as well as the strength of partnerships with major blue-chip companies.

Post year end, the creation of ITM Motive Ltd -still a 100%-owned subsidiary- allows the Group to focus on both its core manufacturing model and the own/operate model for refuelling assets. ITM Support is also developing into a revenue-generating business unit that will add a further offer to customers.

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

STRATEGY AND OBJECTIVES

ITM POWER HAS THE FOLLOWING NEAR AND MID-TERM OBJECTIVES:

NEW TERRITORIES

ITM Power has continued to expand its activities in Europe, with continued investment in its German Subsidiary and partnerships with Linde GmbH and SNAM S.p.A. In addition to this, ITM Power PTY Ltd is well positioned to take advantage of significant potential opportunities that arise across Australia.

We also continue to monitor the global Hydrogen market and will be well positioned in order to take advantage of market growth as these opportunities arise. We assess the requirement for further investment in new regions and will do so based on strategic business reviews as required.

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 and long with improved efficiencies and the standardisation of our product range.

CASH FLOW

The Board are committed to the Group becoming cash-generative in the mid-term. In the short-term, funds received from the strategic fund raise will continue to support the ongoing rollout of the business plan.

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 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. This is augmented by the growing business development experience and resources within ITM Linde Electrolysis GmbH and with the wider Linde network.

Product development, and in particular upscaling of product offering, continues to be achieved through securing and utilising project funding along with funding secure through the strategic fund raise. Utilising project funding 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.

In the medium term, national recovery strategies and announced commitments to achieve net zero by many countries will enable ITM Power to fill its factory, and address a demand-led market. It will also seek to generate recurring revenue from after sale services and world class remote technical support.

PRINCIPAL RISKS AND UNCERTAINTIES

OUR APPROACH TO RISK

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.

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. There are a number of measures taken to review and manage risks.

The Executive Directors are responsible for identifying, managing and mitigating the risks to the Company. The Executive Directors review the risks facing the Company at executive committee meetings and with senior management across operations as a core part of day to day operations of the business.

There is a monthly review process to assess the risk register at corporate level and projects specific risks are reviewed at project level.

The Audit Committee undertake several activities:

- Reviews the processes and controls for ensuring material business risks are identified and managed appropriately
- Reviews the risk register periodically in detail
- Undertake deep dives with senior managers directly on key risks areas

The Board reviews the risk register and received reports from the Chair of the Audit Committee.

The following pages set out a summary of our principal risks based on the findings of our most recent board review. The Directors have carried out a robust assessment of these principal risks. However, this summary is not intended to include all risks that could ultimately impact our business and the risks are presented in no particular order.

Beyond our principal risks, ITM Power faces other operational risks that we manage as part of our daily routines, such as employee health, safety and wellbeing, and commercial risk commensurate with the profile of the business.

TECHNOLOGY AND IP

DESCRIPTION AND 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.
CHANGE YEAR ON YEAR	DECREASING The roadmap to cost parity and outperformance with other forms of hydrogen is accelerating, with the Group achieving cost reductions in products.
MITIGATION	ITM's technology continues to be considered superior to other technology currently on the market. Through continual analysis of the competitive landscape and targeted improvements in technology development ITM seeks to retain that competitive advantage. The Group has placed emphasis on technology acceleration throughout 2021 to continue to offer best electrolyser performance and have recruited further experienced hires to support the acceleration. Further team expansion is planned including for product validation.

DESCRIPTION AND IMPACT	Loss of intellectual property rights and/or competitive advantage in technology: 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.
CHANGE YEAR ON YEAR	INCREASING The profile of the partnerships and geographic locations where the Group intends to do business is the same as the prior year. The number of employees has increased. The number of customers who whilst under NDA receive information about ITM products is increasing.
MITIGATION	The Group has an agreed IP management policy. This includes processes so that contractual confidentiality provisions are usually in place before sharing information with prospective customers, suppliers and partners. Further secure file sharing practices are employed to provide technical mitigation. The Group has an ongoing training plan for staff to support this aim. The Group has a long-standing Patent and IP management committee who proactively review risks to IP and advise the Group accordingly.

MARKETS AND TRACTION, GROWTH TRAJECTORY

DESCRIPTION AND 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
CHANGE YEAR ON YEAR	STATIC
MITIGATION	The Group has worked with Linde to increase resourcing and accelerate homologation for products and to reduce compliance risk. ITM Power has also employed staff who have experience of managing larger operations, as well as planned an integration project for global systems scalability. ITM Power has increased its compliance function size and agreed a prioritised plan for homologation.

DESCRIPTION AND IMPACT	The demand for electrolyser products hydrogen exceeds the Group's ability to match supply, giving other competitors advantage who have larger supply capacity or who can ramp up faster.
CHANGE YEAR ON YEAR	INCREASING Global demand continues to grow faster than expected. The Group is still relatively small including its management team.
MITIGATION	The Group has sufficient working capital for a second gigawatt scale facility. The Group continues to develop semi-automation [and plan for increasing automation for new facilities]. The management team review plans for automation and increased capacity proactively. The Group has increased its senior management team and continues to look at organisational development to plan for continued growth.

MARKETS AND TRACTION, GROWTH TRAJECTORY

DESCRIPTION AND 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. This could also lead to contractual risk, HSE risk and reputational risk for if those suppliers do not have appropriate and effective compliance processes in place to manage those.
CHANGE YEAR ON YEAR	STATIC
MITIGATION	Having employed new Heads of Quality, HSE and Procurement and enhanced the procurement team as well as working with Linde, ITM Power has been able to improve its quality processes for managing existing supply chain and improve its due diligence and quality management for new suppliers.

DESCRIPTION AND IMPACT	ITM Power relies on third parties to supply raw materials and components for manufacture of its products. Failure in the supply chain (to meet demand, quality and compliance requirements) could lead to ITM Power being unable to meet demand and/or quality, HSE or other risks or increased costs. ITM Power relies on some sole suppliers in certain areas and in-demand raw materials.
CHANGE YEAR ON YEAR	STATIC Whilst demand is increasing, ITM's supplier management processes continue to develop.
MITIGATION	ITM Power is developing a strategy for long-term management of rare raw materials. This includes a product development map with reduction of rare materials showing maintaining product performance in test. Supply chain management is improving through new Heads of Quality, HSE and Procurement and enhanced the procurement and improved its quality processes for sourcing and managing existing and new suppliers. This includes increasing and developing additional suppliers and/or bringing production of core parts in-house.

LEGAL AND STATUTORY

DESCRIPTION AND IMPACT	With the rapidly maturing market, the Group is being required to commit to levels of performance and quality for its products now whilst they are still in the prototyping phase. The risk is that the technology may not meet contract expectations when beyond prototyping phase and leave the Group with remedial work to correct products.
CHANGE YEAR ON YEAR	INCREASING The need to provide a mature offer to large scale solutions has accelerated in the last year as the market seeks to deploy X(X)L opportunities which would be appropriate for the ITM Power GEP platform. The ITM Power GEP platform is now being bid into sales tenders, whilst at the same time is expected to be a complete product in 2022.
MITIGATION	The Group has implemented a more robust contractual approval process, including with Linde for joint venture contracts. It continues to develop and improve its product testing regime at its facilities and develop Reliability, Accessibility and Maintainability analysis to mitigate the likelihood of this occurring.

DESCRIPTION AND IMPACT	With more product in the field, as well as more and larger product being handled by the Group, there is the risk of either product liability claims or a Health and Safety (HSE) incident occurring, which could result in disruption to operations, financial loss, regulatory intervention, or damage to our reputation.
CHANGE YEAR ON YEAR	STATIC The increase in product, creating a perceived greater risk, has been offset through investment in the HSE team at ITM Power, as well as increasing the size of the compliance team to address the need to deploy in many markets.
MITIGATION	The Group has appointed a new Head of HSE. It continues to periodically review its HSE management system in place and has also implemented a series of training events for all staff both as part of a drive for a safer culture, but also as part of the Group's core values and academy initiatives. Product validation team expansion is under development. Further development of standardised robust product testing is underway as products become standardised.

LEGAL AND STATUTORY

DESCRIPTION AND IMPACT	ITM Power undertake the supply of product to complex commercial projects. Such projects include risks of delay and cost overruns.
CHANGE YEAR ON YEAR	DECREASING ITM Power delivers larger projects with its associate, ILE, and no longer undertakes EPC work. Projects are increasing in scale and commercial requirements are increasing but the ITM component will remain standard.
MITIGATION	ITM Power's joint venture with Linde means EPC work is delivered by a world-class EPC contractor. ITM Power has increased its project management function scale, processes and capacity. Regular reporting identifies challenges early.

IT - CYBER ATTACKS

DESCRIPTION AND IMPACT

We rely on a diverse IT landscape, using both internal and external systems, including some systems that are outside our direct control with a diversified employee location base during Covid. These systems are potentially vulnerable to cyber threats.

As a result, we could experience disruption to operations, financial loss, regulatory intervention, or damage to our reputation.

CHANGE YEAR ON YEAR

INCREASING

The size of the workforce, the introduction of hybrid working and the increasing number of products, coupled with increasingly sophisticated options for attackers, mean that this risk has increased in the period.

MITIGATION

The Group has in place good practice normal processes and systems to manage cyber risk. This includes proactive monitoring of risks, updating processes, firewall protection, multi-factor authentication, penetration testing and back-up systems. ITM Power launched a Cyber Academy for all employees to increase awareness of the risks to the Group. We routinely test the systems for penetration and weakness and review products on the market to ensure the overall system protection in place remains appropriate and proportionate.

PEOPLE

DESCRIPTION AND IMPACT

Key Man Risk: The Group has an executive team (and experience senior leadership team) with many years' experience in 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.

CHANGE YEAR ON YEAR

STATIC

MITIGATION

The Board has a fully established succession plan as part of the ongoing board evaluation, which is reviewed annually.

CORPORATE SOCIAL RESPONSIBILITY

BESSEMER PARK

ITM Power'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 reductionin 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 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'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 Group also set up a charity committee to match funds raised by employees for charitable causes.

DISABILITIES

ITM Power are committed to promoting equal 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 principles of non-discrimination are supported by best-practice employment and legislative driven guidance.

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. Individuals are treated on the basis of their relevant merits, abilities and capabilities for the role in question.

In the event an existing employee is or becomes disabled whilst employed by ITM Power, all efforts would be made by the Group to support the employee and their continued service. We would consult with relevant qualified medical advisers, occupational health professionals and where possible make necessary reasonable adjustments.

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. We do not tolerate any discriminatory practice.

EMPLOYEE CONSULTATION

ITM Power are committed to providing information and clear guidance on all matters affecting employees in their work. Employees are updated frequently regarding any factors affecting the performance of the Group. The Group places considerable value on involvement of its employees and actively encourages participation through working groups, committees and an open-door policy on raising concerns or providing feedback to senior managers.

ITM Power has no formal requirement to consult with its workforce (other than specific scenarios driven by legislation). When required, employee representatives would be utilised to consult on a wide range of matters affecting current and future employee interests. Informal meetings, Group-wide emails, a SharePoint IT system, an internal newsletter and suggestions through our Yammer communications channel all drive different forms of engagement.

EMPLOYEE WELL BEING

ITM Power employees have access to an Employee Assistance Programme (EAP) run by Health Assured. The Employee Assistance Programme is a wide range of services that employees can access without cost but with total confidentiality.

Health Assured offers:

- Unlimited access to a helpline
- Face to face or telephone-based 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 have high levels of employee retention and work hard to ensure this remains the case, ensuring employees have access to regular feedback and support from their line manager. Aside from statutory employee benefits, we are constantly reviewing salaries to ensure we remain competitive in the marketplace to attract and retain the valued skills we have within the business. Supplementary benefits include: a share save scheme, a cycle to work scheme, child care vouchers and an employee discounts platform.

All employees are given appropriate access to training to enable them to fully and safely perform their roles, and to progress within the organisation. ITM Academy launches in 2021 which will bring all aspects of learning and development within the ITM Group under a central strategy to promote individual and business growth.

All employment policies are accessed via our employee handbook, and these are consistently reviewed to ensure not just compliance and relevance but also employee engagement and the overall employee value proposition.

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 Group's operations on the community and the environment;
- The desirability of the Group maintaining a reputation for high standards of business conduct; and the need to act fairly as between shareholders of the Group.

The Corporate Governance Report sets out how the Group approaches corporate governance as a whole. The Group applies the ten principles of the QCA Code in support of its growth and this is set out on the Group's website, and in the Corporate Governance Report on page 32 of this report.

The Group's activities, strategy and future prospects are discussed in the Strategic Report, beginning on page 8. The Directors are fully committed to effective engagement with all key stakeholders.

STAKEHOLDERS

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.

EMPLOYEES

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. In support of the organisational development of the organisation a Head of HR was appointed in the year ended 30 April 2020 who has grown the HR team to 6 at the date of this report.

EMPLOYEES (CONTINUED)

Appropriate remuneration and incentive schemes including bonuses and Long Term Incentives are maintained to align employees' objectives with those of the Group. The Group has increased its employee engagement through a new intranet, it has an employee newsletter, employee engagement initiatives, through ITM Nurture, a social engagement programme including a significantly active charity committee raising money for employee-nominated charities including Sheffield Children's hospital, and a social committee to ensure employees feel they are contributing to the progress of the Group. ITM Academy has been launched to create a centre for learning and development.

SUPPLIERS

The Board ensures that the Group works hard to maintain good relationships with its suppliers. This is achieved by contracting on reasonable business terms and making payments on time. We consider suppliers to be partners whereby the right relationship can create growth for both companies. We meet with our significant suppliers regularly and where required audit their activities to ensure that components for our products are delivered to the quality standards we require and in timely and cost-efficient manner. We also have supplier development programs to improve the standards and relationship set including through applying ITM's Supplier Code of Conduct. 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.

CUSTOMERS AND PARTNERS

The Executive Directors meet major existing and prospective customers and encourage a dialogue with them and with the territory business development team as appropriate. This year, this has been primarily online but engagement has continued in breadth and depth.

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

THE WIDER COMMUNITY

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. As such, it established an ESG committee this year and published its first ESG report so that it can continue to hold itself to the highest standards for the purposes of ESG.

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.

SHAREHOLDERS

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

In 2020, ITM Power strengthened its investor relations management through the appointment of its first Head of Investor Relations. Shareholder communication is coordinated by its Head of Investor Relations together with Investec (NOMAD) and Corporate Communications Consultants, Tavistock Communications Limited.

ITM Power is committed to maintaining a good dialogue with shareholders through proactively organising meetings and presentations with fund managers, retail brokers and analysts, as well as responding to a wide range of enquiries.

In 2020, Covid-19 prevented the Company from presenting its results to shareholders in person. The Company held its Annual General Meeting and two Extraordinary General Meetings virtually. It utilised a specialist shareholder platform to maximise attendance at the events. The AGM and the EGM were well attended with nearly 400 meeting attendees.

STRATEGIC DECISION-MAKING

The principal decision taken in the year was the decision to raise working capital through a firm placing and open offer including investment in the Company by Snam, to deliver a new business plan to accelerate the Group's products and operations. The table below illustrates how the Board considered different appropriate stakeholders in recommending the investment.

EMPLOYEES

The Board considered the impact on employees of the investment and the acceleration plan, and the possibility of growth within the Group. This has been borne out since with the creation of over 80 new roles within the Group.

The Board considered the placing and open offer, including the Snam investment to put the Group on a stronger, longer term footing to give employees greater assurance for the future of the Group. The executive team gave a presentation virtually to the workforce shortly after the announcement and encouraged engagement to understand the impact of the investment.

CUSTOMERS AND PARTNERS

In recommending the investment, the Board considered that the business would be stronger and quicker to the market with new products, allowing greater assurance for new and existing customers and partners. This included working capital to semi-automate the facility, meeting increasing demand.

SHAREHOLDERS

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 and that all existing investors could participate through an open offer.

A part of the agreement with Snam was the preferred supplier status for 100MW of PEM electrolysis deals in Italy. This enabled the Board to demonstrate that the deal was not only financial but also create value operationally, both in terms of creating demand for the new gigafactory, Bessemer Park, and future revenue growth.

After the formal business of the EGM, the Chief Executive presented via webinar and answered questions raised online by shareholders during the event.

The Board understands the importance of its role in embedding the right culture in the Group. This was reflected during the year through the steps taken by the Board to agree a new Code of Ethics and anti-fraud and bribery framework. This is to maintain the ethical values at the foundations of the Group through the Group's rapid growth.

EMPLOYEES

The Board wanted to provide a clear framework, a communication and engagement plan, training and support to help ITM staff do the right thing. This includes a clear Speaking Up Policy, a training plan for the Code of Ethics and a department-led approach to identifying and setting KPIs to manage anti-fraud and bribery risk. Ethical values and culture need to be led by the Board and all members of the Board enthusiastically support the new Code of Ethics.

The new framework includes Compliance Champions, volunteer employees across the business to ensure that the ethical values are led by ITM team members as well as ITM leaders.

CUSTOMERS AND PARTNERS

Establishing a Code of Ethics that is available on the ITM website for all ITM stakeholders helps give confidence to customers and partners that ITM Power can be trusted to deliver and that our values are built on transparent, fair, honest and sustainable working practices. ITM Power wants to give confidence that we don't just follow the rules but hold ourselves to high standards in everything we do.

SUPPLIERS

Paying suppliers on time and working with suppliers on fair terms gives suppliers confidence to work with us. The Code of Ethics demonstrates to suppliers that ITM Power holds itself to high standards when working with suppliers at the same time as demanding high ethical standards from our suppliers through our Supplier Code of Conduct.

SHAREHOLDERS

The Board considers that a robust framework is essential as the Group grows. The Code of Ethics is intended to give shareholders confidence that good controls are in place. This is because we believe that a culture of doing the right thing is essential for a positive culture for productivity and employee retention, driving shareholder value as well as minimising the risk of compliance issues that may adversely affect shareholder value.

GOING CONCERN

The directors have prepared a cash flow forecast for the period ending 30 September 2022. 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.

By the end of the period analysed, the Group will still hold a large proportion of the monies from the fund raise in the year. This should give the business sufficient funds to trade for the next three years if the business continued to operate in a similar way beyond the forecast period.

With the uncertainty created for the economy by Covid-19, this cash flow forecast has also been stress tested. As a worst-case scenario, if all payments had to continue as forecast while receipts were not received at all, the business would remain cash positive for the full twelve months from the date of approval of these financial statements.

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

Approved by the Board and signed on its behalf by:

Andy Allen

ANDY ALLEN
Director

Date: 10 September 2021

THE GROUP AND PARENT COMPANY WOULD EXPECT TO REMAIN CASH POSITIVE WITHOUT THE REQUIREMENT FOR FURTHER FUNDRAISING […] FOR A PERIOD OF AT LEAST 12 MONTHS

SIR ROGER BONE AND DR GRAHAM COOLEY

DIRECTOR'S REPORT

The directors present their annual report and audited financial statements on the affairs of ITM Power (the "Company") and its subsidiaries (the "Group"), together with the financial statements and auditor's report, for the year ended 30 April 2021.

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.

BRANCHES OUTSIDE THE UK

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 31 to the financial statements.

SUBSTANTIAL SHAREHOLDINGS

On 30 April 2021 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 SHARED CAPITAL	NO OF ORDINARY SHARES
LINDE PLC	17.25%	95,000,000
JCB RESEARCH	9.6%	52,865,764
MR. PETER K HARGREAVES	5.2%	28,621,793

DIVIDENDS

The directors do not recommend a dividend payment for the year (2020: £nil). The losses for the year are transferred to reserves.

RESEARCH AND DEVELOPMENT

During the year the Group incurred research and development related costs of £3.48m (2020: £2.30m). A description of the activities undertaken can be found under the heading of "Products and Technology" within the Strategic Report.

CHARITABLE AND POLITICAL CONTRIBUTIONS

During the year, the Group made charitable donations of £6,693 (2020: £371). The Group 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 2021, the trade creditors balance equated to -27 days (2020: -217 days), based on daily total costs excluding payroll, and including the pro forma payments made to suppliers up front. We have been working to reduce the number of pro forma invoices received from suppliers this year. Wherever possible we have been asking for staged payment or actual invoices rather than pro formas, making use of an improved credit rating to request new credit accounts and narrowing down the supplier base in order to try to build better relationships.

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 foreign exchange rates.

The Group also receives and spends money in different currencies. Significantly, contracts are often in the currency of the customer. As such, the Group 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 will 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 and others discussed in note 29. 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

Moving into the new financial year, a new subsidiary was created to house the refuelling assets that had previously sat within ITM Power (Trading) Limited. ITM Motive Limited will own and operate the UK refuelling stations in order to drive their profitability. It is a 100% owned subsidiary so there will be no material impact on the consolidated accounts.

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 R Pendlebury (resigned 31 July 2020)
Mr M Green	Mrs K Roe (appointed 6 May 2020)
Mr J Nowicki	Mr T Rae (appointed 3 December 2020)

DIRECTORS' INDEMNITIES

The Group 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 accounting standards in conformity with the requirements of the Companies Act 2006, and have elected to prepare parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), 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 international accounting standards in conformity with the requirements of the Companies Act 2006 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 Group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group 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 Group 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 Group'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 Group'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 Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Andy Allen

Approved by the Board and signed on its behalf by:

ANDY ALLEN
Director
10 September 2021

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE REPORT

DEAR SHAREHOLDER,

At ITM Power, we are proud of putting values and ethics at the heart of what we do. Our mission is to help the world reach net zero through the power of green hydrogen. This underpins the Group as a sustainable, dynamic business, continuing to deliver shareholder and stakeholder value in the long term.

ITM Power is committed to excellent corporate governance and aims to be best in class in the AIM Top 50. Good governance is vital for our organisation as we scale up to meet increasing global demand for green hydrogen. This year, we launched our first ESG strategy and report, "Sustainable Energy, Engineered Sustainably". This represents a major step-change in our ambitions as a business. We wish to ensure that long-term growth sustains rather than harms people and the environment, as well as delivering best value for shareholders. As we set out in that report, our aim is to invest in governance processes that ensure that we achieve those objectives.

Our ESG Strategy sets out key focus areas for ITM Power in terms of governance: this includes:

- Ensuring employee and customer health and safety
- Driving a culture of ethical behaviour through ITM's new Code of Ethics and the roll-out of a new, global, comprehensive internal programme on anti-fraud and bribery
- Ensuring our supply chain meets our Supplier Code of Conduct requirements including on human rights and avoiding exploitative work practices
- Data security, risk management, tax and compliance

Instilling the right culture creates the right work-place environment for our staff, and a business that delivers. The Board has established a Group-wide Code of Ethics as a key part of making sure that the ethical values that are integral to the Group are maintained through as we grow and expand. The Board is committed to ensuring that our ethical principles are understood and lived by every leader and every employee.

Those ethical principles are:

- Always safety first
- Always act in accordance with laws and regulations
- Always act with integrity to deliver excellence
- Always committed to work well together
- Always respectful

Good governance also means looking after our employees. I'm proud of how the Group has been able to support its staff through the difficulties of Covid-19 and lockdowns. We have made sure staff received full pay, were able to work at home where possible, were able to have flexibility to deal with childcare and home schooling and have had fully paid time off for Covid-related quarantine, symptoms, testing and illness. We also understand the impact that this last year has had on mental health for many. To support our staff we have provide access to an Employee Assistance Programme and created wellbeing champions. We have launched ITM Academy to provide a centre of learning and development from a formal induction programme, health and safety training, apprenticeships to technical skill development and leadership and management skills.

2021 has seen the launch of ITM Nurture, to capture the social engagement and charitable activities of the Group. Led by an employee committee, this has brought together ITM team members to raise money for local charities, including the Sheffield Children's Hospital. I look forward to sharing more of the activities of ITM Nurture over the coming months and years.

Finally, the Board continues to consider the most appropriate code for ITM Power based on its development, sector and size remains 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 as it grows rapidly to meet the demands of our customers.

Roger Bone

SIR ROGER BONE
Chairman

BOARD COMPOSITION:

EXPERIENCE, SKILLS AND CAPABILITIES OF THE BOARD

Maintaining the right composition of the Board is essential. The Board was strengthened in the year ended 30 April 2021, with the addition of Katherine Roe, CEO of Wentworth Resources plc, who brings significant expertise and Tom Rae, who brings 25 years' global supply chain management experience supporting ITM Power's continuing growth into a Group that needs to be ready to deliver in increasing global markets.

The Board is satisfied that the members of the Board possess the right balance of skills, experience, personal qualities and capabilities to support delivery of the Group's strategy and as required by the QCA Code. However, given the ambitions of the Group, rapidity of growth and scale of the market demand, the composition of the Board remains under active review.

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

An induction programme is undertaken for new directors to on-board directors and provide them with full information on the Group's operations and performance. All members of the Board are given access and support for continuing development to ensure their effective stewardship of the Group.

DIRECTOR BIOGRAPHIES

SIR ROGER BONE
Non-Executive Director

Sir Roger was President of Boeing UK from 2005 to 2014. He is the Chairman of Over-C Ltd, a small high tech company in the telecoms sector, and was senior independent director of Foreign and Colonial Investment Trust plc until May 2021. As well as chairing ITM Power, Sir Roger also chairs ITM Motive Ltd, a wholly owned subsidiary company. He was a non-executive director and trustee of the National Centre for Universities and Business (NCUB) from 2013 to 2019, and was one of the Prime Minister's honorary Ambassadors for British business from 2009 to 2015.

He was British Ambassador to Brazil from 1999 to 2004 and to Sweden from 1995 to 1999, and prior to that an Assistant Under-Secretary of State in the Foreign and Commonwealth Office. He was a Trustee of the Royal United Services Institute, the London based think tank, from 2013 to 2020 and is an honorary fellow of the Institution of Engineering Designers. He was educated at Oxford University and holds an honorary doctorate in engineering from Sheffield University.

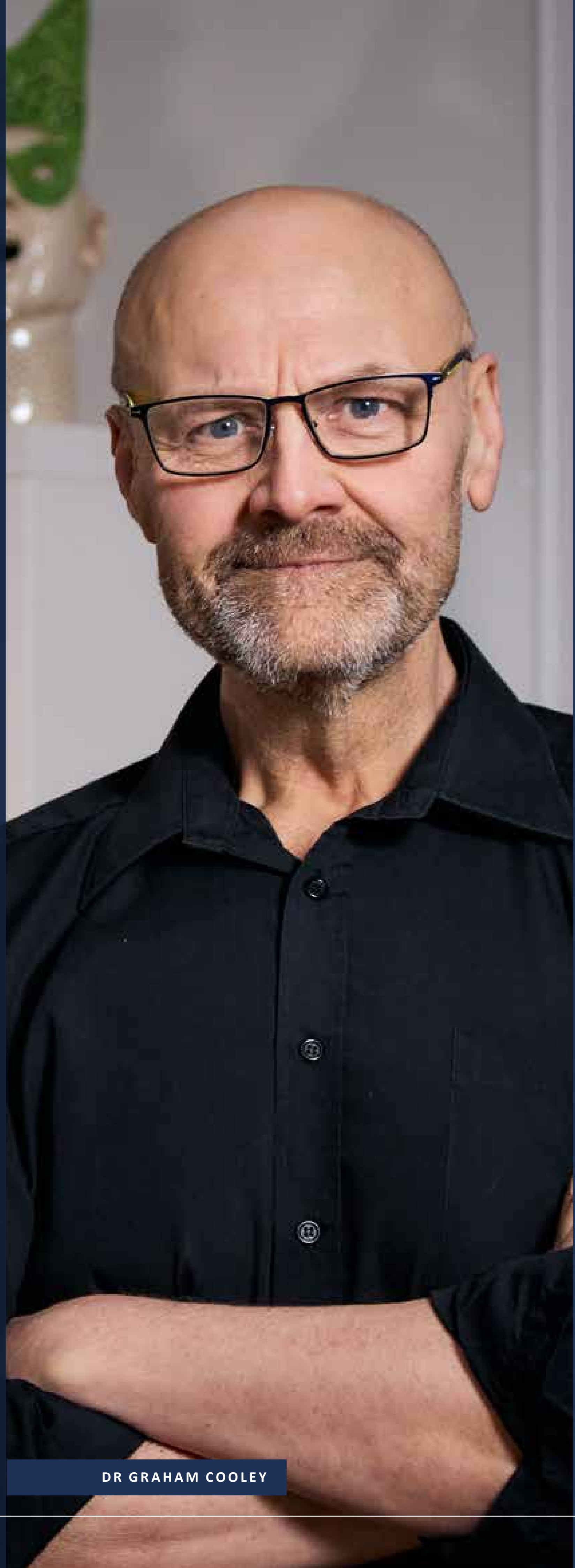
DR GRAHAM COOLEY
Chief Executive Officer (CEO)

Dr Graham Cooley joined ITM Power as CEO in 2009. ITM Power was the first hydrogen related company to be listed on the London Stock Market, and has been developing electrolyser equipment for over 20 years.

Graham started his career in the power sector in 1989, joining the CEGB and becoming Business Development Manager at National Power plc and then International Power plc, developing energy storage and new generation technologies.

Before joining ITM Power Graham was CEO of Sensortec Ltd, founding CEO of Metalysis Ltd, a spin out of Cambridge University and founding CEO of Antenova Ltd.

Graham has a PhD in physics, an MBA and is a Fellow of the Institute of Metals, Minerals and Mining (FIMMM). Graham also sits on a number of industry bodies, and is a member of the UK Government's Hydrogen Advisory Council.



DR GRAHAM COOLEY

MARTIN GREEN
Non-Executive Director

Martin Green had a 30 year plus career with Johnson Matthey plc until March 2019, most recently as Group Strategy Director. In this role he was responsible for a portfolio of growth businesses, strategy development and implementation, including M&A. As Director of Battery Technologies Martin made £120m of acquisitions and took the division from a standing start to an annual turnover of £150m in four years.

A chemistry graduate, Martin has particular expertise and experience in battery, fuel cell and hydrogen technologies as well as strategic corporate development.

JUERGEN NOWICKI
Non-Executive Director

Juergen is Executive Vice President of Linde plc and CEO of Linde Engineering. Prior to this, he was Senior Vice President, Commercial, of Linde Engineering. He joined Linde in 1991 as Internal Auditor and subsequently held different positions in Finance & Controlling. In 2002, he was appointed CFO of Linde Gas North America, USA, and was named Head of Finance & Control for The Linde Group in 2006. He assumed his role as Managing Director of Linde Engineering in 2011 and was appointed Speaker of the Board of Linde Engineering in 2015.

Juergen holds a master's degree in Industrial Engineering from the Technical University of Karlsruhe, Germany.

TOM RAE
Non-Executive Director

Tom was Group Director of Purchasing & Supply Chain and a member of the Group Executive Committee at JCB until late 2019 when he set up his own consultancy practice. He began his career with Uniroyal Ltd, advancing to Manufacturing Manager in 1989. In 1992, Tom moved to Germany to join Continental AG and was active in manufacturing JV projects in Russia, Brazil and India before moving to the UK in 1997 to lead Conti's UK manufacturing and sales operations.

In 2002, Tom returned to Germany as SVP of Procurement, Continental AG until 2007 when he joined Japan's NSG Group as CPO; as a member of the Executive Committee Tom split his time between the UK and Japan. He holds a BSc in chemistry and an MBA.

KATHERINE ROE
Non-Executive Director

Katherine is CEO of Wentworth Resources plc, an AIM listed leading Tanzanian-focused natural domestic gas producer. She is currently a non-executive director and Audit Committee Chair of Longboat Energy plc. Katherine joined Wentworth in 2014 and was responsible for corporate development and investor relations before becoming CFO in 2018 and CEO in 2019. Before joining Wentworth, Katherine had a 14-year plus career in investment banking and corporate finance, initially with Morgan Stanley and subsequently with Panmure Gordon where she was a Director within Investment Banking and headed up the energy team from 2010 to 2014.

DR SIMON BOURNE, DR RACHEL SMITH AND MR ANDY ALLEN

DR SIMON BOURNE
Chief Technology Officer (CTO)

Dr Simon Bourne joined ITM Power in 2002 and has been one of the leading technologists involved in the development of the Group's core technology. As Chief Technology Officer, Simon is responsible for Research & Development, Product Development, Sales and After Sales functions. Having been instrumental in the design and realisation of the Group's electrolyser platform, Simon was responsible for the realisation of two flagship projects; the world's first PEM Power-to-Gas system deployed in Frankfurt in 2013 and Europe's largest (10MW) PEM electrolyser deployed at Shell's Energy and Chemicals Park Rheinland in Wesseling, Germany.

Before joining ITM Power, Simon was Project Engineer with Sonatest Plc and a Researcher with the Ministry of Defence. Simon has a BSc Hons in Materials Science (UMIST) and a PhD (Cranfield).

DR RACHEL SMITH
Executive Director

Dr Rachel Smith joined ITM Power at its incorporation in 2002. Starting as a research scientist Rachel has a solid background in ITM materials and their use in electrochemical cells.

She has worked on and managed various externally funded projects and now acts as director responsible for Project Management, Grant Funding, HR and HSE. Rachel also manages ITM's patent and trademark portfolio and leads its IP Committee. Rachel is the Board's champion for health and safety.

Rachel has a BSc Hons in Environmental Science (Leicester), MSc in Energy Conservation (Cranfield) and an EngD (Cranfield).

MR ANDY ALLEN
Finance Director (CFO)

Mr Andy Allen qualified as a chartered accountant in Sheffield in 2007, and has an extensive background in auditing manufacturing companies in South Yorkshire. Andy joined ITM Power in 2011 as Financial Controller before becoming CFO in 2015.

THE BOARD IS SATISFIED THAT THE MEMBERS OF THE BOARD POSSESS THE RIGHT BALANCE OF SKILLS, EXPERIENCE, PERSONAL QUALITIES AND CAPABILITIES TO SUPPORT DELIVERY OF THE GROUP'S STRATEGY AND AS REQUIRED BY THE QCA CODE

THE BOARD

The Board membership and committee membership is as follows:

■ MEMBER

DIRECTOR	ROLE	REMUNERATON COMMITTEE	AUDIT COMMITTEE	NOMINATIONS COMMITTEE	DISCLOSURES COMMITTEE	ENVIRONMENT, SOCIAL & GOVERNANCE COMMITTEE	EXECUTIVE COMMITTEE	TECHNOLOGY MANAGEMENT COMMITTEE	STRATEGIC ADVISORY COMMITTEE
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 Director		■	■	■				
Mr T Rae	Non-Executive Director							■	■
Mr J Nowicki	Non-Executive Director							■	■
Mr M Green	Non-Executive Director	■	■						■
Mrs K Roe	Non-Executive Director	■				■			

In addition, the Technology Management Committee has a representative from Snam, Marco Chiesa and the Strategic Advisory Committee has a representative from Snam, Cosma Panzacchi.

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 Group 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.

GOOD GOVERNANCE: INTERNAL CONTROL AND RISK MANAGEMENT

The Board is responsible for reviewing and approving overall Group strategy, the corporate objectives, the financial strategy, the annual budget, capital fundraising and for structure of the Group. The Board receives financial reports at each regular Board meeting, tracking budget and forecasts. Operational, detailed ongoing tracking of financial performance is undertaken by the Executive Committee. In accordance with good practice, the Board delegates to the Audit Committee responsibility for monitoring the integrity of the financial reporting of the Group and ensuring that the internal financial controls are sufficiently robust and appropriate.

The Group's Financial Controller oversees budgeting, cash flow forecasts and financial statements and the operation of the Group's financial systems as well as managing the engagement with ITM Power's auditors. In the year ended 30 April 2021, the Finance team has been expanded to include additional staff to focus on internal controls and financial system transformation.

There are procedures in place for budgeting, forecasting and financial planning, for monitoring and reporting to the Board the performance against those budgets, forecasts and plans, and for projecting expected performance over the financial year.

The Board considers that the internal controls in place are appropriate for the size, complexity and risk profile of the Group but given the rapid growth of ITM Power, this remains under active review.

The Board periodically review the internal controls, led by the Audit Committee. The Board consider risks facing the Group in its decision making and periodically reviews the top corporate risks identified through the risk register process. The Audit Committee reviews key areas of financial controls throughout the year.

NON-FINANCIAL CONTROLS

The Board recognises that maintaining sound controls and discipline is critical to managing the risks to ITM Power's strategy. The Board has ultimate responsibility for the Group's system of internal control and for reviewing its effectiveness. The Audit Committee regularly reviews the risk management procedures and key corporate risks. It undertakes in depth assessments of core risk areas throughout the year. The Executive Committee has operational responsibility for managing risk and ensuring the internal controls remain appropriate, with day to day responsibility with the Finance Director. Further detail on risk management and risks is set out in the Principal Risks and Uncertainties section of the Strategic Report.

Close management of the day-to-day activities of the Group by the Executive Directors and detailed monthly reporting of performance against corporate objectives, project schedules, budget, risks and expected performance and operational needs are a key part of the internal management and control system.

In the financial year ended 30 April 2021, ITM Power has also made further senior appointments to support its business plan and address the resulting operational needs and risks. This includes a new Head of HR, new Head of Quality, a new Head of Health and Safety, a new Head of After-Sales Support, a new Head of Investor Relations and a new Managing Director for its Motive division.

DEALINGS POLICY

The Group has a dealing policy and dealing code that applies to all employees. This enables the Group 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.

GOOD GOVERNANCE: DECISIONS AT THE RIGHT LEVELS

The Board approves the overall financial authorities within the organisation. It reserves decision making in the following areas:

- Executive management structure and appointments;
- Strategic/Policy considerations;
- Material transactions;
- Health, Safety and Environmental Strategy
- Finance; and
- General governance and capital matters.

BOARD MEETINGS

Board members devote the time needed to their role. This includes attending Board and committee meetings and being available for shareholders at the General Meetings of the Group. The Board scheduled 6 regular meetings in the year ended 30 April 2021, 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. This year these meetings moved online and virtual meetings were held in addition to regular communication and updates to ensure good communication continued throughout the period.

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.

	PRINCIPLE	AUDIT COMMITTEE	REMUNERATION COMMITTEE	ESG COMMITTEE	TECHNOLOGY MANAGEMENT COMMITTEE
NO. OF MEETINGS HELD	6	6	5	3	4
Non-Executive Directors					
Sir R Bone (Chairman)	6	6	5	-	-
Mr M Green	6	6	5	-	-
Mr J Nowicki	6	-	-	-	4
Mr T Rae	3	-	-	-	1
Mrs K Roe	6	-	4	3	-
Mr R Pendlebury (retired)	2	-	-	-	3
Executive Directors					
Dr S Bourne	6	-	-	-	4
Dr R Smith	5	-	-	3	-
Dr G Cooley	6	-	4	3	-
Mr A Allen	6	6	4	-	-

ANDY ALLEN

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.

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, the Environment Social and Governance Committee, the Strategic Advisory Committee, the Technology Management 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 to 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. Further details of the work of the Remuneration Committee is set out in the Director's Remuneration Report from the Chair of the Remuneration Committee in this report. EY have provided independent advice to the Remuneration Committee as set out in the Director's Remuneration Report.

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

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 regularly meets to consider business development, technology development, project performance, the financial performance of the Group and other management issues.

The Technology Management Committee's primary responsibilities are to review the Group's product portfolio and development plans and the suitability of portfolio, manufacturing capacity and planned developments to satisfy anticipated market developments and meet the Group's technology goals to be best-in-class.

The Environment Social and Governance Committee was established in early 2021 to lead the delivery of the Group's ESG strategy. It is responsible for the Group's short and long term ESG objectives and reporting of key metrics, and it ensures that all ESG-related policies remain compliant with relevant laws and good corporate governance. In preparing its first formal ESG strategy and report, the ESG Committee has received independent advice from GoodBusiness.

The Board has constituted a Strategic Advisory Committee that met for the first time in the first quarter of the new financial year ending 30 April 2022. This will comprise four directors, Martin Green, Jürgen Nowicki, Tom Rae, Dr Rachel Smith and Cosma Panzacchi, a representative from Snam SpA. The Strategic Advisory Committee has been set up to advise the Board on key business development matters.

The Board also has a Disclosure Committee that meets periodically to consider matters relating to its obligations to make regulatory disclosures required in law and under the rules of the AIM exchange.

The Board has sought advice where necessary, from Investec, the Company's NOMAD, for the placing of the fundraising exercise undertaken in the year ending 30 April 2021. In addition, the Board has access to Nicola Ham Edmonds as Company Secretary and Head of Legal and, where appropriate, external counsel.

QCA CODE COMPLIANCE

ITM Power has reviewed the ten principles of the QCA code and considers that it complies with it as set out in this Annual Report and on its website:

https://www.itm-power.com/corporate-governance.com

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 and the Principal Risks and Uncertainties section of this report.
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	HOW IS THE DISCLOSURE REQUIREMENT MET?
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 Group 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 and in the director biography section of this report.
PRINCIPLE 7: Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement	With the full support of the Board, the Chairman leads an evaluation of the performance of the Board and its committees approximately every 18 months. The last review took place in early 2020 concluded that the Board and its committees are currently effective and each Director continues to demonstrate commitment to their role. The Board plans a further evaluation within the year ending 2022. The Board measures the performance of the Executive Directors against key performance indicators. Further information is set out in the Remuneration Committee report. Each committee evaluates its performance annually.
PRINCIPLE 8: Promote a culture that is based on ethical values and behaviours	On the ITM Power website, this corporate governance report and in the ESG Report on the ITM Power website.
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.

REMUNERATION COMMITTEE REPORT

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 2021.

I was appointed Chair of the Remuneration Committee on 1 July 2020 and have continued the Remuneration Committee's focus 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 Group retains key talent at the executive level.

This report is split into three sections: the Remuneration Committee Chair Statement; Remuneration Policy Report, including how it will be applied to the coming year, and the Annual Report on Remuneration which provides details of the remuneration earned by Directors for performance in this financial year.

For the first time this report will be put to an advisory vote of shareholders at the upcoming AGM and I look forward to engaging with investors in this regard.

A summary of the key matters considered by the Committee during the year and since the year end in respect of the year ended 2020/21 is as follows:

- Reviewed the 2020 executive director pay benchmarking results provided by Ernst & Young who were retained to provide independent remuneration advice to the Committee. From this, the Committee determined to accelerate the agreed salary increase from a three-year to a two-year period. An increase to the fees of the Chairman and independent Non-Executive directors was also agreed based upon this benchmarking exercise;
- In relation the annual bonus, the Committee determined that 50% of the agreed performance targets had been achieved. The Committee also agreed that an additional exceptional bonus, equivalent to 33% of base salary, should be paid to the Executive Directors in the year, to reflect the successful achievement of the £172 million shareholder fundraising exercise in October 2020 and the creation of a strategic partnership with Italian based Snam, a material development towards the future success of our business;
- A new LTIP Scheme was approved by the Board in October 2020, under which all future LTIP awards will be made. Grants made under the new LTIP in 2020 vest after three years and are subject to performance conditions associated with shareholder return, financial performance and ESG targets over that period. The Committee believes that this, together with new director shareholding guidelines introduced during the year, ensures that Executive Director interest continues to become more aligned to long term shareholder values;
- The Committee approved the introduction of a Group-wide Buy as You Earn share scheme, as the Board is keen to ensure that all of the Group's workforce, regardless of position, have the ability to be rewarded for their part in the growth and success of the business; and
- For the bonus attributable for the year ended 30 April 2022, the Committee agreed to adjust the proportion associated with financial performance objectives in order to allow for the introduction of measurable ESG and Health and Safety targets.

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.

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

Katherine Roe

KATHERINE ROE

Chair, Remuneration Committee

COMMITTEE MEMBERS

DURING 2020/21

Katherine Roe (Chair from 1 July 2020)

Martin Green

Roger Bone (Chair until 30 June 2020)

MAIN ROLES AND RESPONSIBILITIES OF THE COMMITTEE

Determine and agree with the Board the framework or broad policy for the remuneration of the Group's Chair and the Executive Directors;

Ensuring such remuneration supports the Group's strategy and promotes long term sustainable success;

Approve the design of, and determine targets for, any performance related pay schemes operated by the Group 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;

Review the formal policy for shareholding requirements;

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 PRINCIPLES

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

Ensure executive remuneration is aligned to the Group's purpose and values, clearly linked to the successful delivery of the Group'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 Group without inappropriate financial burden on the Group; and

Consider the requirements for clarity, transparency, risk mitigation, predictability, proportionality and alignment to culture.

REMUNERATION POLICY

EXECUTIVE DIRECTOR BASE SALARY

PURPOSE AND LINK TO STRATEGY

To ensure the Group is able to recruit and retain high-calibre executives.

OPERATION

Salaries are set by the Committee considering a number of factors, including market rates, benchmarking to peers, as well as the individual Director's experience, responsibilities and performance.

Salaries are paid monthly in arrears by bank transfer and are normally reviewed annually.

PENSION PROVISION

PURPOSE AND LINK TO STRATEGY

Retirement benefits are regarded as an important element of the Group's basic benefits package to attract and retain talent.

OPERATION

Membership of the Group's defined contribution, or similar pension scheme, or in agreed circumstances, a cash allowance in lieu of pension.

Where Executive Directors are members of the Group's pension scheme, they receive a pension contribution of 5% of base salary, or such other amount in line with that available to the majority of the UK general workforce.

BENEFITS

PURPOSE AND LINK TO STRATEGY

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

OPERATION

Benefits may include private medical insurance, sick pay, a fully expensed car (or equivalent cash allowance), disability and life assurance cover. All employees benefit from life assurance of four times salary.

Some benefits may be provided in the case of relocation, such as removal expenses, and in the case of international relocation might also include such items as cost of accommodation, children's schooling, home leave, tax equalisation and professional advice etc.

The Group has the ability to reimburse the tax payable (grossed up) on any business expenses captured as taxable benefits.

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.

OPERATION

Measures and targets for the annual bonus for the Executive Directors are set annually by the Committee, to ensure they are fairly rewarded for their contribution to the success of the Group.

Performance criteria include the financial targets of the Group as agreed by the Committee and specific annual targets based on clear and measurable objectives that underpin, and are key to achievement of, the Group's strategy, with particular emphasis on forward-looking objectives relating to technology, business development and ESG factors.

All bonus payments are at the ultimate discretion of the Committee and the Committee retains an overriding ability to ensure that overall bonus payments reflect its view of corporate performance during the year when determining the final bonus amount to be awarded.

The Committee retains the ability in exceptional circumstances to adjust the targets and/or set different measures and alter weightings for the annual bonus if certain events occur, such as a material divestment of a Group business, which cause it to determine they are no longer appropriate and a change is required to ensure that they achieve their original purpose and are not materially less difficult to satisfy.

The maximum level of performance related bonus for the CEO is capped at 100% of base salary, with the other Executive Directors capped at 60% of base salary.

Bonuses are paid in cash following the year-end.

LTIP

PURPOSE AND LINK TO STRATEGY

The objectives of the LTIP are to align the long-term interests of shareholders and management and reward achievement of long-term, stretching targets.

To attract and retain the calibre of Executive Directors and senior management required to implement and realise the Group's long-term strategy. The LTIP is intended to align the Executive Directors interests with the long-term interests of shareholders.

OPERATION

The new LTIP was approved by the Board in October 2020 and replaced all existing LTIP schemes for future awards.

There remain options to be exercised under historical schemes, details of which are set out later in this report.

Any awards granted are subject to a three-year vesting period and stretching performance targets.

All vesting is at the ultimate discretion of the Committee and the Committee retains an overriding ability to ensure that vesting reflects its view of corporate performance of the set period.

The Committee retains the ability in exceptional circumstances to adjust the targets and/or set different measures and alter weightings if certain events occur, such as a material divestment of a Group business, which cause it to determine they are no longer appropriate and a change is required to ensure that they achieve their original purpose and are not materially less difficult to satisfy.

NON-EXECUTIVE DIRECTOR FEES

PURPOSE AND LINK TO STRATEGY

To ensure the Group is able to attract and retain experienced and skilled Non-Executive Directors able to advise and assist with establishing and monitoring the strategic objectives.

OPERATION

The remuneration of the Chairman and the Non-Executive Directors is payable in cash fees.

They are not eligible to participate in bonus or share incentive schemes.

Their services do not qualify for pension or other benefits.

Expenses incurred for advice in respect of UK tax returns for non-UK NEDs may be reimbursed.

Fees are paid monthly and reasonable expenses are reimbursed where appropriate. Tax may be reimbursed if these expenses are determined to be a taxable benefit.

No Non-Executive Director is involved in decisions setting their remuneration.

Fees for the Chairman are determined by the Remuneration Committee.

Base fees for other Non- Executive Directors, as well as any supplementary fee paid to Committee Chairs to reflect their additional responsibilities, 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 Group and the time commitment and responsibilities of the role. A benchmarking exercise has been undertaken since the end of the financial year.

Any director representing a shareholder on the board receives a fee from the shareholder and not the Group.

SHARE OWNERSHIP GUIDELINES/REQUIREMENTS

PURPOSE AND LINK TO STRATEGY	Executive Directors are required to build and maintain a shareholding in the Company as this represents the best way to align their interests with those of shareholders. Levels are set in relation to earnings and according to the post held in the Group. Non-Executive Directors are encouraged to build and maintain a shareholding.
OPERATION	The expectation is that Executive Directors will build up to these levels over a period of time, usually five years, through retaining shares received under the Group's incentive arrangements, net of sales to settle tax and/or shares purchased in their own right. There is no maximum; however, Executive Directors are required to build and maintain a minimum shareholding equivalent to 100% of salary. Newly appointed Executive Directors would normally be required to achieve the required shareholding within a five-year period of appointment to the Board.

DIFFERENCES IN THE POLICY FOR EXECUTIVE DIRECTORS RELATIVE TO THE BROADER EMPLOYEE POPULATION

The Policy for the Executive Directors is informed by the structure operated for the broader employee population. Pay levels and components vary by organisational level but the broad themes and philosophy remain consistent across the Group:

Salaries are reviewed annually with regard to the same factors as those set out in the Policy table for Executive Directors;

All staff can be considered for awards under the LTIP and BAYE schemes. This is intended to encourage share ownership in the Company and align the management team and all staff with the strategic business plan; and

Eligibility for and provision of benefits and allowances varies by level and local market practice

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.

The contracts contain restrictive covenants for periods of up to six months post-employment relating to non-competition and non-solicitation of the Group's customers, suppliers and employees and indefinitely with respect to confidential information. In addition, they provide for the Group to own any intellectual property rights created by the Directors in the course of their employment.

TERMINATION OF EMPLOYMENT

Each Executive Director's service agreement includes the right of the Group 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.

IMPLEMENTATION OF DIRECTOR REMUNERATION POLICY FOR 2021/22

EXECUTIVE DIRECTORS

BASE SALARY

Base salary reviews for the Executive Directors and senior management were undertaken in June 2021.

BENCHMARKING - EXECUTIVE DIRECTORS

A benchmarking exercise was conducted in June 2021 which reconfirmed the output of the benchmarking conducted in 2020, showing that executive remuneration is positioned below the lower quartile of comparably-sized organisations.

During its deliberations, the Committee recognised:

- 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;
- Its strategy as set out at the start of this report including the need to ensure its policy remains competitive and retains key talent; and
- The performance of the management team and the transformative year including the £172 million shareholder fundraising exercise in October 2020, the creation of a strategic partnership with Italian based Snam and the resultant share price appreciation and value creation for shareholders.

Consequently, the Remuneration Committee agreed to accelerate the planned salary increases from a three-year to a two-year period.

Base salaries for the Executive Directors with effect from 1 July 2021 are as follows:

ANDY ALLEN	£300,000
SIMON BOURNE	£300,000
GRAHAM COOLEY	£420,000
RACHEL SMITH	£230,000

The Remuneration Committee will undertake a further benchmarking exercise in June 2022. As per the remuneration policy, salaries will be set by reference to a number of factors including market benchmarking, experience, scope of responsibilities and individual performance.

EXECUTIVE DIRECTORS

ANNUAL BONUS

Performance metrics have been agreed with the Executive Directors for their FY2021/22 annual bonus targets under the following classifications (note the performance targets have been deemed commercially sensitive and will be retrospectively disclosed in next year's remuneration report):

- Financial including revenue and overhead targets;
- Business development;
- Strategic development including production and procurement capability; and
- ESG and Health & Safety targets.

Total bonus opportunities remain capped as set out in the policy table above.

LTIP

During the year it is intended to grant LTIP awards to the Executive Directors (as well as all other eligible staff). Any awards granted will vest after three years and will be subject performance conditions related to TSR (60%), Financial (20%) and ESG (20%) targets.

BENEFITS AND PENSION CONTRIBUTION

The Executive Directors will receive the range of Group benefits and pension contribution in line with the Remuneration Policy.

NON-EXECUTIVE DIRECTORS

FEES	The FY2021/22 fees for the Non-Executive Directors were reviewed during June 2021 as part of the benchmarking exercise.
BENCHMARKING - NON-EXECUTIVE DIRECTORS	An updated exercise was undertaken in relation to the fees for the Non-Executive Directors, using the same comparator group as in the previous year. Following the exercise, it was considered appropriate to increase the base fee to £51,000 to match the lower quartile of the market. The additional fee of £10,000 for chairing each of the Board's four Committees was not adjusted. The base fee change was made with effect from 1 July 2021.
BENCHMARKING – CHAIRMAN'S FEE	An updated exercise was undertaken in relation to the Chairman's fee, using the same comparator group as in the previous year. Following the exercise, it was considered appropriate to increase the fee to reflect the lower quartile, as well as the additional chairmanship of the ITM Motive subsidiary board. The Chairman's fee was therefore changed to £150,000 with effect from 1 July 2021.
BENEFITS	Non-Executive Directors do not receive any benefits.

APPLICATION OF REMUNERATION POLICY FOR 2021/22

SINGLE TOTAL REMUNERATION FIGURE FOR THE EXECUTIVE DIRECTORS FOR FY2020/21

	FIXED REMUNERATION			PERFORMANCE RELATED			
	BASE SALARY (£)	PENSION (£)	TOTAL FIXED	BONUS (£)	LTIPS (£)	TOTAL PERFORMANCE RELATED REMUNERATION (£)	TOTAL REMUNERATION (£)
ANDY ALLEN	155,925	7,796	163,721	82,640	907,921	990,561	1,154,282
SIMON BOURNE	230,360	11,518	241,878	145,127	3,196,994	3,342,121	3,583,999
GRAHAM COOLEY	299,833	28,000	327,833	248,861	4,211,672	4,460,533	4,788,366
RACHEL SMITH	155,736	7,787	163,523	82,540	1,048,475	1,131,015	1,294,538

Full base salary refers to the salary set for the year before salary exchange and upon which the bonus calculations were based. The pension figure represents the value of the Group's contribution (excluding salary exchange) to the individual's pension scheme and/or the cash value of payments in lieu of pension contribution. Benefits currently consist of life cover only so no monetary value is presented here.

The annual bonus is the cash value of the annual bonus and exceptional bonus due to be paid in respect of the year. The LTIPs amount represents the value received by the directors in relation to any options exercised under the EMI Scheme 2010 and Unapproved Share Option Scheme 2010 in the year.

PENSION

During the year, the Group paid Andy Allen, Simon Bourne and Rachel Smith equivalent of 5% of base salary. Graham Cooley received £28,000 cash in lieu of pension. The Group has a contracted agreement with Graham Cooley that this payment relieves the Group of any liability for pension provision on their behalf.

ANNUAL BONUS

For the 2020/21 financial year, the maximum bonus opportunity and actual outcomes for the Executive Directors, as determined by the Committee were as follows based upon a range of financial and operational performance and strategic targets:

PERFORMANCE MEASURE	WEIGHTING (% OF POTENTIAL MAXIMUM BONUS)	ACTUAL PAYOUT %
SALES IN THE YEAR	15	5
GROSS MARGIN	10	0
BUSINESS DEVELOPMENT	10	7
COST MANAGEMENT	20	5
CASH MANAGEMENT	25	18
OPERATIONAL MANAGEMENT	15	10
STRATEGIC – MOTIVE SEPARATION	5	5
TOTAL	100	50

Based upon the 50% pay out achievement set out above, the directors received the following bonus as a percentage of base salary:

DIRECTOR	MAXIMUM POTENTIAL % OF BASE SALARY	ACTUAL % ACHIEVED	VALUE OF BONUS ACHIEVED (£)
ANDY ALLEN	40	20	31,185
SIMON BOURNE	60	30	69,108
GRAHAM COOLEY	100	50	149,917
RACHEL SMITH	40	20	31,147

EXCEPTIONAL BONUS

The Committee determined than an additional exceptional bonus, equivalent to 33% of base salary, should be paid to the Executive Directors in the year. This amounted to payments of £51,455, £76,019, £98,945 and £51,393 for Andy Allen, Simon Bourne, Graham Cooley and Rachel Smith respectively.

These awards reflect the successful achievement of the £172 million shareholder fundraising exercise in October 2020 and the creation of a strategic partnership with Italian based Snam, one of the world's leading energy infrastructure companies. This partnership also secured a 100MW preferred supplier pipeline for the Group.

LTIPs

EMI SCHEME 2010

The EMI Scheme 2010 was introduced on 29 January 2010. Options granted under the scheme vest in three equal instalments on the first, second and third anniversaries of the grant and exercisable up to the tenth anniversary of the date of grant. There are no performance conditions attached to the exercising of the options.

All outstanding options for all directors were exercised on the 9 June 2020.

Detailed assumptions used in calculating the fair value of the options are outlined in note 8 of the consolidated financial statements.

Interests of the directors under the EMI Scheme 2010 at 1 May 2020 and 30 April 2021 are set out below:

DIRECTOR	DATE OF GRANT	NUMBER OF OPTIONS AT 1 MAY 2020	OPTIONS EXERCISED IN YEAR	NUMBER OF OPTIONS AT 30 APRIL 2021	EXERCISE PRICE	DATE AT WHICH OPTIONS EXERCISABLE	OPTIONS EXPIRY DATE
ANDY ALLEN	23.11.2011	16,666	16,666	-	55p	22.03.2012	23.01.2021
	23.11.2011	16,666	16,666	-	55p	22.03.2013	23.01.2021
	23.11.2011	16,668	16,668	-	55p	22.03.2014	23.01.2021
SIMON BOURNE	24.01.2011	123,596	123,596	-	67p	24.01.2014	23.01.2021
	01.08.2012	100,000	100,000	-	50p	01.08.2015	31.07.2022
GRAHAM COOLEY	19.07.2012	250,000	250,000	-	50p	19.07.2015	18.07.2022
TOTAL		**523,596**	**523,596**	-			

No new options were granted and no options lapsed in the year.

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.

UNAPPROVED SHARE OPTION SCHEME 2010

The Unapproved Share Option Scheme 2010 was introduced on 29 January 2010. Options granted under the scheme for years prior to 2019 vest in three equal instalments on the first, second and third anniversaries of the grant and exercisable up to the tenth anniversary of the date of grant. Options granted in 2019 vest on the third anniversary of the date of grant and are exercisable up to the tenth anniversary of the date of grant. No further awards will be granted under this plan.

There are no performance conditions attached to the exercising of the options.

Detailed assumptions used in calculating the fair value of the options are outlined in note 8 of the consolidated financial statements.

Interests of the directors under the Unapproved Share Option Scheme 2010 at 1 May 2020 and 30 April 2021 are set out below:

DIRECTOR	DATE OF GRANT	NUMBER OF OPTIONS AT 1 MAY 2020	OPTIONS EXERCISED IN YEAR	NUMBER OF OPTIONS AT 30 APRIL 2021	EXERCISE PRICE	DATE AT WHICH OPTIONS EXERCISABLE	OPTIONS EXPIRY DATE
ANDY ALLEN	14.08.2018	333,333	333,333	-	30p	14.08.2019	13.08.2028
	14.08.2018	333,333	-	333,333	30p	14.08.2020	13.08.2028
	14.08.2018	333,334	-	333,334	30p	14.08.2021	13.08.2028
	24.10.2019	47,250	-	47,250	48p	23.10.2022	23.10.2029
SIMON BOURNE	24.01.2011	276,404	276,404	-	67p	24.01.2014	23.01.2021
	06.08.2014	250,00	250,000	-	27p	06.08.2017	05.08.2024
	14.08.2018	583,333	583,333	-	30p	14.08.2019	05.08.2024
	14.08.2018	583,333	-	583,333	30p	14.08.2020	13.08.2028
	14.08.2018	583,334	-	583,334	30p	14.08.2021	13.08.2028
	24.10.2019	159,750	-	159,750	48p	23.10.2022	23.10.2029

DIRECTOR	DATE OF GRANT	NUMBER OF OPTIONS AT 1 MAY 2020	OPTIONS EXERCISED IN YEAR	NUMBER OF OPTIONS AT 30 APRIL 2021	EXERCISE PRICE	DATE AT WHICH OPTIONS EXERCISABLE	OPTIONS EXPIRY DATE
GRAHAM COOLEY	24.01.2011	800,000	800,000	-	67p	24.01.2014	23.01.2021
	06.08.2014	750,000	750,000	-	27p	06.08.2015	05.08.2024
	14.08.2018	1,000,000	-	1,000,000	30p	14.08.2019	13.08.2028
	14.08.2018	1,000,000	-	1,000,000	30p	14.08.2020	13.08.2028
	14.08.2018	1,000,000	-	1,000,000	30p	14.08.2021	13.08.2028
	24.10.2019	307,500	-	307,500	48p	23.10.2022	23.10.2029
RACHEL SMITH	14.08.2018	416,666	416,666	-	30p	14.08.2019	13.08.2028
	14.08.2018	416,667	-	416,667	30p	14.08.2020	13.08.2028
	14.08.2018	416,667	-	416,667	30p	14.08.2021	13.08.2028
	24.10.2019	72,000	-	72,000	48p	23.10.2022	23.10.2029
TOTAL		**9,662,904**	**3,409,736**	**6,253,168**			

No new options were granted and no options lapsed in the year.

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.

UNAPPROVED SHARE OPTION SCHEME 2020

The Unapproved Share Option Scheme 2020 was introduced on 23 October 2020 and replaced both the EMI Scheme 2010 and Unapproved Share Option Scheme 2010.

No consideration is payable for the grant of the awards, which are structured as nominal cost options. The grant in 2020 was provided with an option exercise price of £0.05 per ordinary share. The number of ordinary shares granted under the award in 2020 was calculated using a share price of 270.5 pence, being the average mid-market quotation as derived from AIM for the last 5 days of trading prior to close on 21 October 2020.

The vesting of an award is subject to the satisfaction of performance conditions which have been set by the Remuneration Committee. The awards are subject to a three-year vesting period and to the achievement of the performance conditions and the participant being either a director, employee or contributor to the Group, or a good leaver at that time.

The performance conditions applying to 2020 grant relate to the performance of the Company's shareholder return with that of the performance of the AIM 50 Index over the applicable performance period.

Detailed assumptions used in calculating the fair value of the options are outlined in note 8 of the consolidated financial statements.

Interests of the directors under the Unapproved Share Option Scheme 2020 at 1 May 2020 and 30 April 2021 are set out below:

DIRECTOR	DATE OF GRANT	NUMBER OF OPTIONS AT 1 MAY 2020	OPTIONS GRANTED IN YEAR	NUMBER OF OPTIONS AT 30 APRIL 2021	EXERCISE PRICE	VESTING DATE	OPTIONS EXPIRY DATE
ANDY ALLEN	22.10.2020	-	52,478	52,478	5p	22.10.2023	22.10.2030
	13.11.2020	-	45,919	45,919	5p	22.10.2023	13.11.2030
SIMON BOURNE	22.10.2020	-	52,415	52,415	5p	22.10.2023	22.10.2030
	13.11.2020	-	48,863	48,863	5p	22.10.2023	13.11.2030
GRAHAM COOLEY	22.10.2020	-	100,912	100,912	5p	22.10.2023	22.10.2030
	13.11.2020	-	88,298	88,298	5p	22.10.2023	13.11.2030
RACHEL SMITH	22.10.2020	-	77,530	77,530	5p	22.10.2023	22.10.2030
	13.11.2020	-	67,839	67,839	5p	22.10.2023	13.11.2030
TOTAL		**-**	**534,254**	**534,254**			

No options were exercised or lapsed in the year.

BUY AS YOU EARN SCHEME 2020

The Group launched a Buy As You Earn scheme across its workforce in October 2020. Under the scheme participants can buy up to £150 of ordinary shares per month, with the Group matching the purchase on a one-for-one basis. An annual top up is also permitted, subject to a maximum contribution of £1,800 in each tax year.

Shares acquired are held by a BAYE Trust until a request is received to withdraw them or a participant leaves employment.

Interests of the directors under the Buy As You Earn Scheme 2020 at 30 April 2021 are set out below:

DIRECTOR	NUMBER OF SHARES PURCHASED IN THE YEAR	NUMBER OF SHARES AWARDED BY GROUP UNDER MATCHING RULE	TOTAL SHARES HELD IN BAYE TRUST
ANDY ALLEN	367	367	734
SIMON BOURNE	367	367	734
GRAHAM COOLEY	367	367	734
RACHEL SMITH	367	367	734

SINGLE TOTAL REMUNERATION FIGURE FOR THE NON-EXECUTIVE DIRECTORS

	NON-EXECUTIVE DIRECTOR FEE 2020/21 (£)
ROGER BONE	82,500
MARTIN GREEN	53,333
JUERGEN NOWICKI	-
TOM RAE	-
KATHERINE ROE	52,814
ROBERT PENDLEBURY	-

Shareholder nominated Non-executive directors do not receive any fees from the Group.

STATEMENT OF DIRECTOR'S SHAREHOLDINGS

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

DIRECTOR	TOTAL SHARES BENEFICIALLY OWNED AT 30 APRIL 2021	VALUE OF SHARES AS AT 30 APRIL 2021 (£)	% OF BASE SALARY	SHAREHOLDING GUIDELINES MET?	TOTAL SHARES BENEFICIALLY OWNED AT 30 APRIL 2020
ANDY ALLEN	47,156	245,446	157	Yes	25,000
ROGER BONE	279,986	1,457,327	-	n/a	258,710
SIMON BOURNE	79,767	415,187	180	Yes	349,462
GRAHAM COOLEY	706,382	3,676,718	1,226	Yes	1,137,726
MARTIN GREEN	55,319	287,935	-	n/a	40,000
JUERGEN NOWICKI	-	-	-	n/a	-
TOM RAE	-	-	-	n/a	-
KATHERINE ROE	7,659	39,865	-	n/a	-
RACHEL SMITH	70,461	366,749	235	Yes	80,886
ROBERT PENDLEBURY	-	-	-	-	112,209

Tom Rae was appointed as the JCB nominee Non-Executive Director with effect from 3 December 2020

Katherine Roe was appointed as a Non-Executive Director with effect from 6 May 2020

Robert Pendlebury retired with effect from 31 July 2020

REMUNERATION COMMITTEE SUPPORT AND ADVISERS

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

The Committee engaged the services of Ernst and Young LLP (‘EY’) to provide professional advice on remuneration matters. EY received £86,950 (2020: £11,400) in respect of those services and included Executive Director remuneration benchmarking, support on the LTIP and BAYE share schemes and general guidance on remuneration matters. EY adheres to the Remuneration Consultant Group’s Code of Conduct which seeks to clarify the scope and conduct of the role of executive remuneration consultants when advising UK listed companies. The Committee is satisfied that the advice EY provided was objective and independent.

MISCELLANEOUS DISCLOSURES

The Group provides limited Directors’ and Officers’ liability insurance, at a cost of approximately £57,500 exclusive of VAT for the insurance year which runs until 29 September 2021.

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 (the “Regulations”), nor is it required to comply with the principles relating to directors’ remuneration in the UK Corporate Governance Code. The Company follows the requirements of the QCA code. The Remuneration Committee’s terms of reference are available upon request from the registered office.

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 10 September 2021 and was signed on its behalf by:

Katherine Roe

Katherine Roe
Remuneration Committee Chair

AUDIT COMMITTEE REPORT

AUDIT COMMITTEE REPORT

SUMMARY OF ROLE

The Audit Committee's primary role is to ensure the integrity of the financial reporting of the Group and to undertake assurance activities relating to internal controls. The Audit Committee acts in accordance with its terms of reference available on the ITM Power website.

SUMMARY OF SIGNIFICANT ISSUES CONSIDERED

The Audit Committee follows an agreed work plan to focus on matters as set out in its terms of references with specific regard to the Annual Report and Accounts. It considers Group financial disclosures and accounting matters, including the impact and treatment of key accounting standards. It tracks key control recommendations and improvement opportunities identified by either the external auditor or the management team.

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

- Audit planning and process
- Appropriateness of setting up an internal audit function
- Reviewing the Audit Committee terms of reference
- Reviewing the Risk Register
- Key legal contractual matters
- Management of key business risks including IP and cyber-security.
- A review of the new anti-fraud and bribery policies for the group including its whistle-blowing policy (known as its Speak Up Policy)
- A review of the treasury management policies and processes for the Group
- A review of financial authorities 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:

- Contract accounting, including consideration of contract balances and loss provisions
- Capitalisation of Development Costs
- Impairment of non-current assets
- Recoverability of grant debtors
- Deferred Tax Asset

ASSESSING THE EXTERNAL AUDITOR, APPROACH ON APPOINTMENT/ REAPPOINTMENT AND POLICY ON AUDITOR ROTATION

There are no contractual restrictions on the choice of the external auditor.

The Audit Committee reviews the auditor's performance and independence annually based on feedback from the management team and the Committee. It reviews annual fees to ensure they are in line with market rates and reflect performance. The Committee also closely monitors the nature and level of any non-audit services provided, with a policy that such work is both minimised and that where any work is undertaken, it is approved by the Audit Committee. Such work may only proceed exceptionally and must exclude involvement in making any business judgments that need to be made concerning the nature of work undertaken to help safeguard the auditor's independence. Details of fees paid/payable to the auditors are set out in note 7. The only non-audit services provided in the year ended 30 April 2021 were related to limited assurance procedures as part of the publication of the interim results.

The Audit Committee terms of reference require it to make an annual recommendation to the Board. The Audit Committee looks at auditor rotation as part of the review process. Auditor rotation is typically considered at least every five years, unless the annual performance review identifies earlier reason to rotate. Ahead of the planned retirement of the lead auditor for Grant Thornton, the Audit Committee has agreed that a new auditor was brought in to undertake the audit of the year ending 30 April 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.

Our Auditors, Grant Thornton UK LLP, have been in place since the financial year 2017/2018.

ASSESSING THAT THE RISK AND CONTROL FRAMEWORK AND PROCESSES ARE OPERATING PROPERLY

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 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") and existing areas of risk as is deemed appropriate.

HOW INTERNAL ASSURANCE IS GAINED

As the Audit Committee considered that the Group has not been at the stage where it is appropriate to have an internal audit function, the Audit Committee planned extra levels of assurance in specifically identified areas in the financial year and will continue to do so through the Audit Committee's work cycle.

This is primarily undertaken by the Audit Committee members meeting with senior management team members responsible for the relevant areas of the Group's operations to carry out in-depth reviews of the identified risk areas. The outcomes of these activities are discussed at the Audit Committee and, where appropriate recommendations made to the management team. This is considered appropriate for the relative size and complexity of the Group's activities.

In the year ended 30 April 2021, the Audit Committee reviewed the need for an internal audit function. The Audit Committee agreed with the Group's recommendation that it was now appropriate to begin work to set up an internal audit function during the year ended 30 April 2022. The Audit Committee is satisfied that the Group controls are operating such that a separate internal audit function is not required earlier.

MARTIN GREEN
Chairman, Audit Committee

MEMBERS OF THE AUDIT COMMITTEE

The current members of the Audit Committee are Martin Green (Chair) and Sir Roger Bone.

The Board of ITM Power consider that there is a broad range of financial expertise in the members of the Audit Committee. Martin Green was Managing Director of Johnson Matthey Battery Systems and Group Strategy Director of Johnson Matthey plc with P&L responsibility for a portfolio of Johnson Matthey business. Sir Roger Bone has extensive experience including as a Non-Executive Director of the F&C Investment Trust, which has a total asset portfolio of over £4bn, and where he served as the Senior Independent Non-Executive Director and a member of the Audit Committee, until he stepped down from the Board in May 2021. Both members of Audit Committee bring extensive financial expertise together with a breadth of skills in line with the requirements of the QCA guidance on Audit Committees.

NUMBER OF MEETINGS HELD

The Audit Committee met six times during the year ended 30 April 2021 together with a further three meetings time post-year end. All members of Audit Committee attended each meeting.

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;
- Reviewing the provision of pension arrangements for employees;
- 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.

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, Group Financial Controller and other members of senior management.

SIR ROGER BONE

INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ITM POWER

OPINION

Our opinion on the financial statements is unmodified.

We have audited the financial statements of ITM Power (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 April 2021 which comprise Consolidated Income Statement and Other Comprehensive Income, Consolidated Balance Sheet, Consolidated Statement of Changes in Equity, Consolidated Cash Flow Statement, Company Statement of Changes in Equity, 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 their preparation is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006. 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 2021 and of the group's loss for the year then ended;
- The group financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006;
- 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.

CONCLUSIONS RELATING TO GOING CONCERN

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the group or the parent company to cease to continue as a going concern.

Our evaluation of the directors' assessment of the group's and the parent company's ability to continue to adopt the going concern basis of accounting included evaluation of management's cashflow forecast to September 2022, along with challenge and assessment of the inputs into the forecast.

We evaluated management's reverse stress test to check the extent of overspend required to eliminate all headroom in the base forecast, as well as the available mitigations to avoid such a scenario occurring.
We inspected capital and lease commitments entered into and costs expected to be incurred to check that these have been appropriately incorporated into the forecasts and that there was sufficient cash in hand to cover these costs for the going concern period.

We assessed the projected cash flows in management's forecasts for the going concern assessment period by reference to our expectations formed from the audit work performed on contracts and by comparing forecast cash costs to those incurred in previous years. We have confirmed the cash held by the group at 30 April 2021 and compared this to the cash requirements indicated in management's forecasts, noting that the balance held is significantly higher than forecasted costs.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the group's and the parent company's business model including effects arising from macro-economic uncertainties such as Brexit and Covid-19, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the group's and the parent company's financial resources or ability to continue operations over the going concern period.

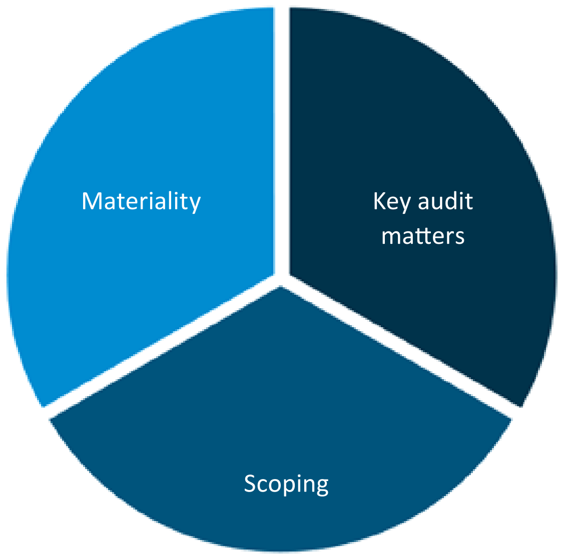
Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the directors with respect to going concern are described in the 'Responsibilities of directors for the financial statements' section of this report.

OUR APPROACH TO THE AUDIT

OVERVIEW OF OUR AUDIT APPROACH



OVERALL MATERIALITY

Group: £1,034,000, which represents 3.75% of the group's loss before taxation.

Parent company: £967,000, which represents 0.5% of the parent company's gross assets

KEY AUDIT MATTERS WERE IDENTIFIED AS

- Inappropriate recognition of revenue - Same as previous year;
- Inappropriate recognition of grant income - Same as previous year; and
- Incomplete recognition of the loss provision in relation to contract accounting - Same as previous year

Our auditor's report for the year ended 30 April 2020 included one key audit matter that has not been reported as a key audit matter in our current year's report. This relates to the use of the going concern assumption when preparing the financial statements which has been removed as there is significant headroom in cash reserves held when compared to costs expected to be incurred.

Scoping has been determined to ensure appropriate coverage of the significant risks as well as coverage of the key results in the financial statements:

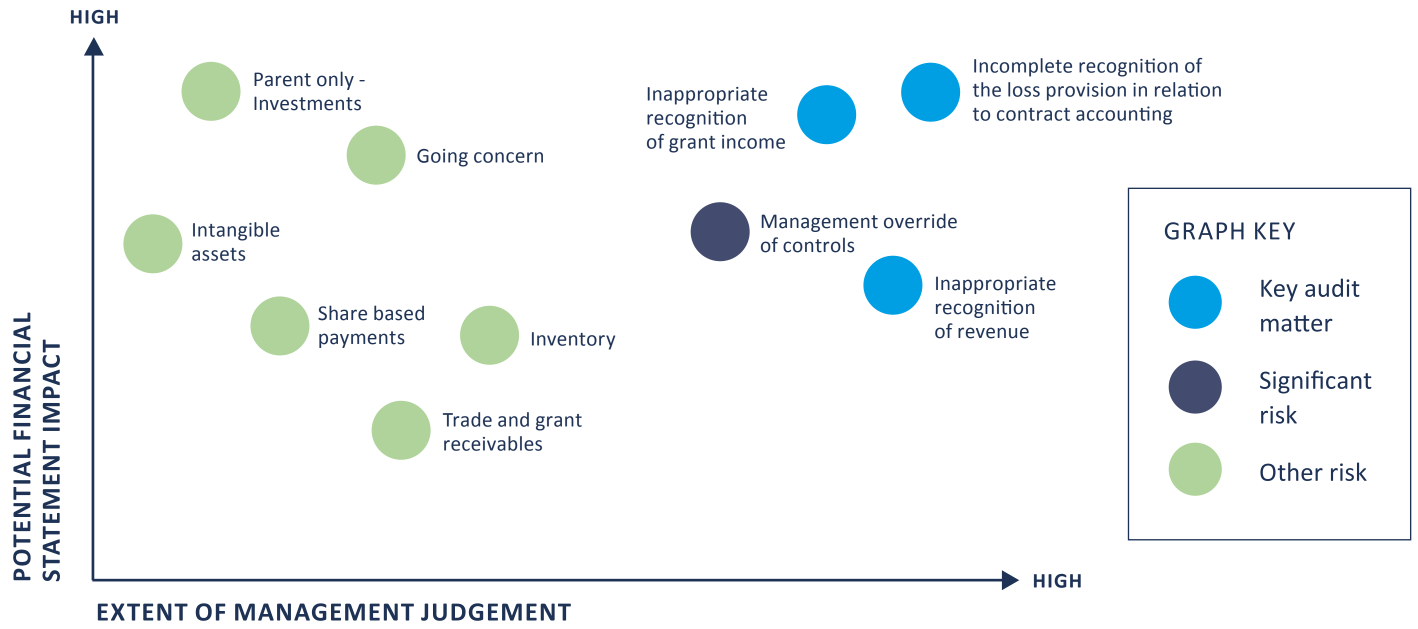
- **Revenue 98%** (2020: 94%)
- **Loss before tax 94%** (2020: 96%)
- **Total assets 95%** (2020: 95%)

There have been no changes in scope from the prior year. As the finance function for the group is based in the UK, the audit of the group has been performed by the primary team.

KEY AUDIT MATTERS

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

In the graph below, we have presented the key audit matters, significant risks and other risks relevant to the audit.



KEY AUDIT MATTER - GROUP

INAPPROPRIATE RECOGNITION OF REVENUE

We identified the inclusion of fraudulent transactions within revenue, including completeness of deferred income, as one of the most significant assessed risks of material misstatement.

Revenue recorded in the financial statements is £4,275,000 (2020: £3,291,000).

There is a significant risk of fraudulent reporting due to the judgemental nature of assessing revenue recognised, using the 'over time' principles in with IFRS 15 'Revenue from Contracts with Customers'. Management's assessment includes a number of estimates:

- Estimated total contract costs;
- Estimated stage of completion derived from the total contract costs; and
- Forecasted margin which is also derived from total contract costs.

HOW OUR SCOPE ADDRESSED THE MATTER - GROUP

In responding to the key audit matter, we performed the following audit procedures:

- Assessing whether the group's accounting policies for revenue from product sales and consultancy contracts were in accordance with the financial reporting framework, including IFRS 15;
- Tested a sample of contracts to original signed contractual agreements or terms to confirm these support management's categorisation of the contract as 'over time' or not;
- Performed procedures over management's contract forecast models, testing mathematical accuracy and agreeing amounts and terms to underlying contracts;
- For a sample of contracts we recalculated revenue recognised over time using the input method of costs incurred to date as a percentage of total expected costs. We tested a sample of those costs incurred to date to supporting evidence;
- We challenged management's estimate of total expected costs to assess whether revenue had been properly recognised. We did this by comparing costs expected with post year end results and testing a sample of forecasted costs to supporting evidence such as purchase orders and supplier quotations;
- We made enquires of the individual project managers to obtain an understanding of the current progress of the contract and to understand their process and methods for estimating costs to complete;
- For deferred contract income, we recalculated the deferred income balance and agreed inputs to supporting evidence, such as invoices raised and cash received. We also reviewed contracts in place and tested those with no deferred contract income to determine if the liability is complete; and
- We recalculated accrued income in respect of revenue from Product sales and Consulting contracts, based on revenue recognised to date and progress billings.

RELEVANT DISCLOSURES IN THE ANNUAL REPORT AND ACCOUNTS 2021

- Financial statements: Note 5, Revenue, Operating Segments & Income from Government Grants
- Financial statements: Note 4, Critical accounting judgements and key sources of estimation uncertainty

OUR RESULTS

Based on our audit work addressing the risk of improper recognition of revenue, we are satisfied that the assumptions made by management in recognising revenue were appropriate and in accordance with, the financial reporting framework, including IFRS 15, and we did not identify any material misstatements in the revenue recognised.

INAPPROPRIATE RECOGNITION OF GRANT INCOME

We identified the inclusion of fraudulent transactions within grant income, including existence and valuation of accrued grant income and completeness of deferred grant income, as one of the most significant assessed risks of material misstatement.

Grant income recorded in the financial statements is £2,546,000 (2020: £2,768,000).

ITM Power present grant income as a reduction in cost of sales and/or admin costs. There is a significant risk of fraudulent reporting due to the judgemental nature of assessing grant income recognised under IAS 20 'Accounting for Government Grants and Disclosure of Government Assistance' and inappropriate application of the contract terms. The following judgements are applied by management in the recognition of grant income:

- Interpretation of the contract to assess the costs that are reclaimable; and
- Assessment of the amount that can be recognised as accrued grant income which is based on when the terms of the grant income contract have been met.

HOW OUR SCOPE ADDRESSED THE MATTER - GROUP

In responding to the key audit matter, we performed the following audit procedures:

- Assessed whether the group's accounting policies for grant income are in accordance with International Accounting Standard IAS 20;
- For a sample of grant income, we agreed the terms to the signed contractual agreement, agreed the funding level to grant agreements and recalculated the amounts recognised, deferred, or accrued based on actual costs incurred to date and, where appropriate, claims submitted;
- Tested whether the costs associated with grant income recorded to date are accurate and appropriately allocated to the correct grant project to challenge the validity of the claim and recognition;
- To test the validity of the submitted claims, we tested a sample of amounts receivable under grant claims agreeing the terms to the signed contractual agreement and agreed the funding level to grant agreements. This included accrued income in relation to grant income and the grant receivable balance;
- We tested a sample of accrued grant income to subsequent invoice and cash receipt in order to determine if the income was genuine. We also documented our understanding of the claim submission process; and
- For deferred grant income, we recalculated the deferred income balance and agreed inputs to supporting evidence, such as invoices raised and cash received.

RELEVANT DISCLOSURES IN THE ANNUAL REPORT AND ACCOUNTS 2021

- Financial statements: Note 5, Revenue, Operating Segments & Income from Government Grants
- Financial statements: Note 4, Critical accounting judgements and key sources of estimation uncertainty

OUR RESULTS

Based on our audit work addressing the risk of improper recognition of grant income, we are satisfied that the assumptions made by management in recognising income from government grants were appropriate, and in accordance with, the financial reporting framework, including IAS 20.

INCOMPLETE RECOGNITION OF THE LOSS PROVISION IN RELATION TO CONTRACT ACCOUNTING

We identified incomplete recognition of the loss provision in relation to contract accounting as one of the most significant assessed risks of material misstatement due to error. This is because of the judgement needed to assess the contract provisions.

Loss provision provided in the financial statements is £4,820,000 (2020: £3,645,000).

To date, the majority of contracts that ITM Power have entered into have been loss making. There is a significant level of judgment in calculating future expected costs on the contracts as the contracts are bespoke in nature. The impact of incorrect assessment of these costs is the potential for immediate recognition of future losses. As these are typically multi-year projects, the estimate around forecasting losses is sensitive and has the potential for material error.

HOW OUR SCOPE ADDRESSED THE MATTER - GROUP

In responding to the key audit matter, we performed the following audit procedures:

- We obtained management's schedule of contract loss provisions;
- We identified on-going contracts at the year end where no loss provision was recognised and challenged whether this was appropriate by testing material costs to complete and comparing to contracted revenue amounts;
- We made enquiries of the specific project managers to obtain an understanding of their process and methods of estimating costs to complete. We looked for indicators of management bias in their assumptions and corroborated estimates based on prior experience to historic data;
- We obtained post year end schedules for total expected costs to identify whether the costs used in assessing contract losses were appropriate. We did this by assessing if the forecast costs to complete had increased significantly and where they did, corroborating management's explanations for the changes;
- We compared the total expected costs by contract from the year end to the previous year end, obtaining explanations for movements in order to test the historical accuracy of forecasting;
- We obtained supporting evidence, such as purchase orders and supplier quotations for a sample of forecast costs to complete; and
- We assessed and challenged the appropriateness of the financial statement disclosures.

RELEVANT DISCLOSURES IN THE ANNUAL REPORT AND ACCOUNTS 2021	KEY OBSERVATIONS
KEY AUDIT MATTER - GROUP	**HOW OUR SCOPE ADDRESSED THE MATTER - GROUP**
• Financial statements: Note 21, Provisions • Financial statements: Note 4, Critical accounting judgements and key sources of estimation uncertainty	When assessing contract costs incurred post year end, we identified a minority of contracts where additional costs had been incurred which were not forecast. Management have subsequently recalculated forecast contract costs and the resulting loss provision. Based on our audit work addressing the risk of incomplete recognition of the loss provision, we are satisfied that assumptions made by management in recording the loss provision are appropriate, and its recognition is in accordance with the financial reporting framework, including IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' and IFRS 15.

OUR APPLICATION OF MATERIALITY

We apply the concept of materiality both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report.

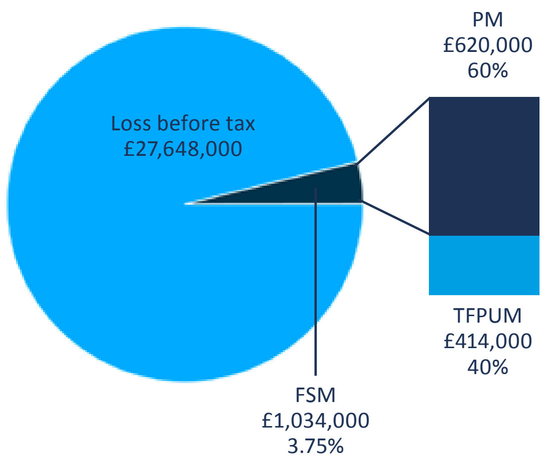
Materiality was determined as follows:

MATERIALITY MEASURE	GROUP	PARENT COMPANY
MATERIALITY FOR FINANCIAL STATEMENTS AS A WHOLE	We define materiality as the magnitude of misstatement in the financial statements that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of these financial statements. We use materiality in determining the nature, timing and extent of our audit work.	
MATERIALITY THRESHOLD	£1,034,000 which is 3.75% of loss before tax.	£967,000 which is 0.5% of gross assets.
SIGNIFICANT JUDGEMENTS MADE BY AUDITOR IN DETERMINING THE MATERIALITY	In determining materiality, we made the following significant judgements: The shareholder perception that the value of the group is derived from the potential of the products being developed and the value that can be derived from these assets; The primary objective of the group is development and sale of the products being developed, with the capacity and production methods along with trading results being a key focus of management; and Materiality for the current year is higher than the level that we determined for the year ended 30 April 2020 to reflect the increase in absolute loss realised in 2021.	In determining materiality, we made the following significant judgements: The primary objective of the parent company is to hold the investments in the group undertakings, as well as to provide financing. Materiality for the current year is higher than the level that we determined for the year ended 30 April 2020 to reflect the increase in assets held.
PERFORMANCE MATERIALITY USED TO DRIVE THE EXTENT OF OUR TESTING	We set performance materiality at an amount less than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.	
PERFORMANCE MATERIALITY THRESHOLD	£620,000 which is 60% of financial statement materiality.	£580,000 which is 60% of financial statement materiality.

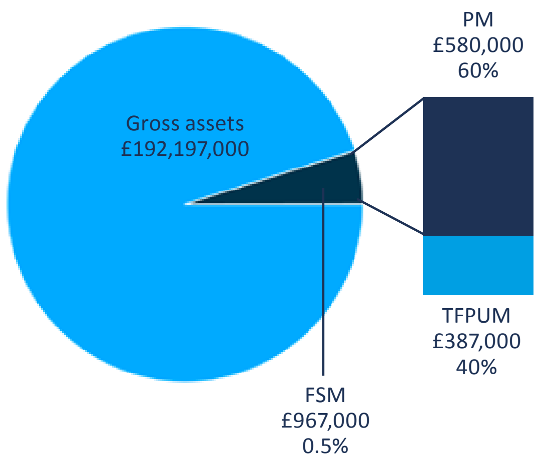
MATERIALITY MEASURE	GROUP	PARENT COMPANY
SIGNIFICANT JUDGEMENTS MADE BY AUDITOR IN DETERMINING THE PERFORMANCE MATERIALITY	In determining materiality, we made the following significant judgements: Prior experience of misstatements that were subsequently corrected. General industry risk and the group specific risk due to the speed of change of the industry.	In determining materiality, we made the following significant judgements. Prior experience of misstatements that were subsequently corrected. General industry risk and the group specific risk due to the speed of change of the industry.
SPECIFIC MATERIALITY	We determine specific materiality for one or more particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.	
SPECIFIC MATERIALITY	We determined a lower level of specific materiality for Related party transactions.	We determined a lower level of specific materiality for Related party transactions.
COMMUNICATION OF MISSTATEMENTS TO THE AUDIT COMMITTEE	We determine a threshold for reporting unadjusted differences to the audit committee.	
THRESHOLD FOR COMMUNICATION	£51,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£48,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.

OVERALL MATERIALITY - GROUP



OVERALL MATERIALITY - PARENT COMPANY



FSM: Financial statements materiality
PM: Performance materiality
TFPUM: Tolerance for potential uncorrected misstatements

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

We performed a risk-based audit that requires an understanding of the group's and the parent company's business and in particular matters related to:

UNDERSTANDING THE GROUP, ITS COMPONENTS, AND THEIR ENVIRONMENTS, INCLUDING GROUP-WIDE CONTROLS

- The engagement team obtained an understanding of the group and its environment, including group-wide controls, and assessed the risks of material misstatement at the group level;
- The engagement team obtained an understanding of the effect of the group organizational structure on the scope of the audit, for example, the level of centralisation of the group control function and the use of service organizations.

IDENTIFYING SIGNIFICANT COMPONENTS

- The engagement team evaluated the identified components to assess their significance and determined the planned audit response based on a measure of materiality. Significance was determined as a percentage of the group's total assets, revenues and profit before taxation and qualitative factors, such as component's specific nature or circumstances were also considered.

PERFORMANCE OF OUR AUDIT

- All three KAM's were addressed with the audit of the full and specific scope locations. There were no KAM's that related directly to the parent company, ITM Power Plc;
- Specific procedures were primarily designed to audit the KAM's but additional procedures were performed on cash balances as well;
- The engagement team performed audit procedures across all components in line with the scope described. There were no component teams engaged to support the primary team.

AUDIT APPROACH	NUMBER OF COMPONENTS	% COVERAGE REVENUE	% COVERAGE LOSS BEFORE TAX
AUDIT OF FINANCIAL INFORMATION	2	98	91
AUDIT OF SIGNIFICANT ACCOUNT BALANCES / TRANSACTIONS	1	0	3
ANALYTICAL PROCEDURES	3	2	6
TOTAL	6	100	100

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the annual report and financial statements, 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.

MATTER ON WHICH WE ARE REQUIRED TO REPORT UNDER THE COMPANIES ACT 2006

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

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

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

RESPONSIBILITIES OF DIRECTORS FOR THE FINANCIAL STATEMENTS

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

EXPLANATION AS TO WHAT EXTENT THE AUDIT WAS CONSIDERED CAPABLE OF DETECTING IRREGULARITIES, INCLUDING FRAUD

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and determined that the most significant are those related to the reporting frameworks (International Accounting Standards in conformity with the requirements of the Companies Act 2006, United Kingdom Generally Accepted Accounting Practice, and the Companies Act 2006),as well as the relevant tax regulations, health and safety law, employments law and data protection laws.
- We assessed the susceptibility of the group's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to:
  - Journal entries that increased revenues or that reclassified costs from the income statement to the balance sheet;
  - Potential management bias in determining accounting estimates, especially in relation to their assessment of the valuation of intangible assets;
  - Transactions with related parties.
- Assessment of the appropriateness of the collective competence and capabilities of the engagement team including consideration of the engagement team's:
  - Understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
  - Knowledge of the industry in which the client operates
  - Understanding of the legal and regulatory requirements specific to the entity including:
    - The provisions of the applicable legislation
    - The regulators rules and related guidance, including guidance issued by relevant authorities that interprets those rules
    - The applicable statutory provisions
- Team communications in respect of potential non-compliance with laws and regulations and fraud included the potential for fraud in revenue recognition through manipulation of deferred income.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
  - The entity's operations, including the nature of its revenue sources, products and services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
  - The applicable statutory provisions
- The entity's control environment, including the adequacy of the training to inform staff of the relevant legislation, rules and other regulations of the regulator, the adequacy of procedures for authorisation of transactions, internal review procedures over the entity's compliance with regulatory requirements, the authority of, and procedures to ensure that possible breaches of requirements are appropriately investigated and reported.

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.

DAVID WHITE
Senior Statutory Auditor

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

10 September 2021

CONSOLIDATED INCOME STATEMENT AND OTHER COMPREHENSIVE INCOME

			2021		2020 RESTATED
	NOTE	£'000	£'000	£'000	£'000
REVENUE	5		4,275		3,291
Direct costs		(12,145)		(10,839)	
Grant income against direct costs	5	1,356		1,719	
COST OF SALES			(10,789)		(9,120)
GROSS LOSS			(6,514)		(5,829)
OPERATING COSTS					
Research and development			(3,489)		(2,298)
Production and engineering			(8,839)		(13,919)
Sales and marketing			(1,436)		(1,385)
Administration expenses			(7,404)		(7,028)
Expected credit loss			(165)		15
Other income - government grants	5		1,190		1,049
LOSS FROM OPERATIONS	6		(26,657)		(29,396)
Share of loss of associate company	12		(595)		(3)
Finance income	9		83		90
Finance costs	9		(479)		(214)
LOSS BEFORE TAX			(27,648)		(29,523)
Tax	10		(49)		(38)
LOSS FOR THE YEAR			(27,697)		(29,561)
OTHER TOTAL COMPREHENSIVE INCOME:					
Items that may be reclassified subsequently to profit or loss					
Foreign currency translation differences on foreign operations			(78)		50
Net other total comprehensive income			(78)		50
TOTAL COMPREHENSIVE LOSS FOR THE YEAR			(27,775)		(29,511)
Basic and diluted loss per share	11		(5.5p)		(7.4p)

Research and development, Production and engineering, Sales and marketing were included as "distribution costs" in the previous year. These have been presented as individual functions in the current year and therefore restated in the comparative.

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

CONSOLIDATED BALANCE SHEET

	NOTE	2021 £'000	2020 £'000
NON-CURRENT ASSETS			
Investment in associate	12	259	346
Intangible assets	13	3,269	2,154
Right of use assets	14	6,399	6,520
Property, plant and equipment	15	13,514	6,501
Financial asset at amortised cost	29	148	137
TOTAL NON-CURRENT ASSETS		23,589	15,658
CURRENT ASSETS			
Inventories	16	6,418	4,432
Trade and other receivables	18	22,981	23,166
Cash and cash equivalents	19	176,078	39,919
TOTAL CURRENT ASSETS		205,477	67,517
CURRENT LIABILITES			
Trade and other payables	20	(12,857)	(14,013)
Provisions	21	(12,276)	(6,890)
Lease liability	22	(204)	(211)
TOTAL CURRENT LIABILITIES	10	(25,337)	(21,114)
NET CURRENT ASSETS		180,140	46,403
NON-CURRENT LIABLITIES			
Lease liability	22	(6,282)	(6,315)
NET ASSETS		197,447	55,746
EQUITY			
Called up share capital	23	27,533	23,664
Share premium account	23	302,248	137,236
Merger reserve	23	(1,973)	(1,973)
Foreign exchange reserve	23	83	161
Retained loss	23	(130,444)	(103,342)
TOTAL EQUITY		197,447	55,746

The financial statements of ITM Power Plc, registered number 05059407, were approved by the Board of Directors and authorised for issue on 10 September 2021. Signed on behalf of the Board of Directors:

Andy Allen

ANDY ALLEN
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	NOTE	CALLED UP SHARE CAPITAL £'000	SHARE PREMIUM ACCOUNT £'000	MERGER RESERVE £'000	FOREIGN EXCHANGE RESERVE £'000	RETAINED LOSS £'000	TOTAL EQUITY £'000
AT 1 MAY 2019	23	16,200	86,631	(1,973)	111	(74,760)	26,209
TRANSACTIONS WITH OWNERS							
Issue of shares	23	7,464	50,605	-	-	-	58,069
Credit to equity for share based payment		-	-	-	-	979	979
TOTAL TRANSACTIONS WITH OWNERS		7,464	50,605	-	-	979	59,048
Loss for the year		-	-	-	-	(29,561)	(29,561)
Other comprehensive income	23	-	-	-	50	-	50
TOTAL COMPREHENSIVE INCOME		-	-	-	50	(29,561)	(29,511)
AT 1 MAY 2020	23	23,664	137,236	(1,973)	161	(103,342)	55,746
TRANSACTIONS WITH OWNERS							168,881
Issue of shares	23	3,869	165,012	-	-	-	168,881
Credit to equity for share based payment		-	-	-	-	595	595
TOTAL TRANSACTIONS WITH OWNERS		3,869	165,012	-	-	595	169,476
Loss for the year		-	-	-	-	(27,697)	(27,697)
Other comprehensive income	23	-	-	-	(78)	-	(78)
TOTAL COMPREHENSIVE INCOME		-	-	-	(78)	(27,697)	(27,775)
AT 30 APRIL 2021	23	27,533	302, 248	(1,973)	83	(130,444)	197,447

CONSOLIDATED CASH FLOW STATEMENT

	NOTE	2021 £'000	2020 £'000
NET CASH USED IN OPERATING ACTIVITIES	25	(20,141)	(12,040)
INVESTING ACTIVITIES			
Investment in associate		(535)	(349)
Purchases of property, plant and equipment		(14,422)	(8,986)
Finance asset (security deposit)		-	(137)
Capital Grants received against purchases of non-current assets		3,992	89
Proceeds on disposal of Property, Plant & Equipment		3	1
Payments for intangible assets		(1,524)	(1,771)
Interest received		83	90
NET CASH USED IN INVESTING ACTIVITIES		(12,403)	(11,063)
FINANCING ACTIVITIES			
Issue of ordinary share capital		173,835	59,299
Costs associated with fund raise		(4,954)	(1,230)
Payment of lease liabilities	26	(156)	(236)
NET CASH FROM FINANCING ACTIVITIES		168,725	57,833
INCREASE IN CASH AND CASH EQUIVALENTS		136,181	34,730
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR		39,919	5,173
Effect of foreign exchange rate changes		(22)	16
CASH AND CASH EQUIVALENTS AT THE END OF YEAR		176,078	39,919

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 2 Bessemer Park, Shepcote Lane, Sheffield, South Yorkshire S9 1DZ. 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 2020:

- Amendments to References to the Conceptual Framework in IFRS Standards
- IFRS 3 Amendments to the definition of a business
- IAS 1 and IAS 8 Amendments to the definition of material to align with the Revised Conceptual Framework
- IFRS 9, IAS 39 and IFRS 7 amendments in Interest Rate Benchmark Reform when accounting for hedging

These standards have not had a material impact on the entity in the current reporting period.

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 2021 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 16 Amendment for Covid-19 related Rent Concessions (effective for periods beginning on or after 1 June 2020)
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 for Interest Rate Benchmark reform-phase 2 (effective for periods beginning on or after 1 January 2021)
- IFRS 16 Amendment for Covid-19 related Rent Concessions beyond 30 June 2021 (effective for periods beginning on or after 1 April 2021)
- IFRS 3 Amendments to references to the Conceptual Framework Current (effective for periods beginning on or after 1 January 2022)
- IAS 16 Amendments to Property, Plant and Equipment – Proceeds before intended Use Current (effective for periods beginning on or after 1 January 2022)
- IAS 37 Amendments to Onerous Contracts-Cost of Fulfilling a Contract (effective for periods beginning on or after 1 January 2022)
- Annual Improvements to IFRS Standards 2018-2020 (effective for periods beginning on or after 1 January 2022)
- IAS 1 Classification of Liabilities as Current or Non-Current (effective for periods beginning on or after 1 January 2023)
- IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policies from significant to material (effective for periods beginning on or after 1 January 2023)
- IAS 8 Amendments to Definition of Accounting Estimates (effective for periods beginning on or after 1 January 2023)
- IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective for periods beginning on or after 1 January 2023)

3. SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The consolidated financial statements have been prepared in accordance with International Accounting Standards, in conformity with the requirements of the Companies Act 2006.

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. Total comprehensive income of the subsidiaries is attributed to the owners of the Company.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GOING CONCERN

The directors have prepared a cash flow forecast for the period ending 30 September 2022. 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.

By the end of the period analysed, the Group will still hold a large proportion of the monies from the fund raise in the year. This should give the business sufficient funds to trade for the next three years if the business continued to operate in a similar way beyond the forecast period.

With the uncertainty created for the economy by Covid-19, this cash flow forecast has also been stress tested. As a worst-case scenario, if all payments had to continue as forecast while receipts were not received at all, the business would remain cash positive for the full twelve months from the date of approval of these financial statements.

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

REVENUE RECOGNITION

PRODUCT SALES

ITM Power 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 point of delivery or site acceptance, whichever is the official handover of control of the goods to the immediate 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 and until the performance obligation has been met, income 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 excess 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 (labour and material costs) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 up-front 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.

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

Exchange differences are recognised in profit or loss in the period in which they arise except 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 and are 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.

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 Administration expenses.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Once completed, Development Costs transfer into the category of Know-how. 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 Research and development costs over their useful lives, considered to be four years, in line with expected product life cycles. Each asset is assessed on an annual basis to ensure that it still meets the criteria and will still contribute to the Company's products. If not, an impairment will be recognised. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

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 company creates a separate asset under leasehold improvements for the initial direct costs incurred in establishing the lease but also 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 over the lease term in production or administration expenses depending on the asset.

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.

PROPERTY, PLANT AND EQUIPMENT (CTD)

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	Research and development costs
PRODUCTION PLANT AND EQUIPMENT	4 years	Production and engineering costs
COMPUTER EQUIPMENT	3 years	Administration expenses
OFFICE FURNITURE AND FITTINGS	4 years	Administration expenses
LEASEHOLD IMPROVEMENTS	4 years or the remainder of the lease term	Administration expenses

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 of which the Group holds 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.

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 in trade receivables and contract assets (accrued sales income). 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.

DERIVATIVE FINANCIAL INSTRUMENTS

The Group enters into derivative financial instruments to manage its exposure to foreign exchange rate risk. These are not deemed to be effective hedging instruments to be matched off against a related asset or liability but rather as stand-alone financial assets or liabilities at fair value through profit and loss. Within the financial statements, therefore, this portfolio of contracts will be shown as either an asset or liability on the balance sheet, with a corresponding gain or loss through the income statement, depending on how the contractual rate of exchange compares with the year-end rate.

LEASES

At inception of a contract, the Group assesses whether it conveys the right to control the use of an identified asset -and obtain substantially all of the economic benefits from use of the asset- for a period of time in exchange for consideration. In this instance the contract should be accounted as a lease.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is recognised at cost and is subsequently depreciated using the straight-line method over the lease term.

The lease liability is initially measured at the present value of the lease payments and discounted using the interest rate implicit in the lease or, if that rate cannot be determined, the Group's incremental borrowing rate or best estimate of the same. The lease liability continues to be measured at amortised cost using the effective interest method. It is remeasured when there is a change in the future lease payments. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset.

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of less than 12 months and leases of low value assets. These largely relate to short-term rentals of equipment to undertake our field activities. The Group recognises the lease payments associated with these leases, together with any property service charges and storage fees, as an expense on a straight-line basis over the lease term (see note 6).

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.

The group also recognises a provision for Employer's National Insurance Contributions (NIC) that becomes payable on the exercise of share options granted under the Group's non-tax advantaged share plans, to the extent that the liability has not been transferred to the employees. Where a liability is due, 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 accrued over the vesting period.

For option grants prior to 2020, the Group has agreed that settlement of 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. For option grants from 2020, the employees have agreed to pay any Employer's NIC liability that is due on exercise of their options.

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.

CONTRACT ACCOUNTING, INCLUDING CONSIDERATION OF CONTRACT BALANCES AND LOSS PROVISIONS

Management have assessed sales contracts in accordance with the 5-step principle laid out by IFRS 15 to confirm whether a contract should be recognised over time or at a point in time. Contract balances are reviewed to ensure that they reflect the status of the project and that amounts remain recoverable. Rolling forecasts of costs to complete the performance obligation are also maintained so that onerous contracts can be recognised and provided for at the point where costs are predicted to exceed the expected income. See notes 5 and 17.

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. See note 13.

IMPAIRMENT OF NON-CURRENT 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. This is the fifth 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 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 fully impaired the remaining value of the assets, including a further £851,000 in the current year.

This year's impairment review therefore largely focussed on the sole refuelling station that will facilitate sales not only to the general public but also to buses, as this model of station is deemed to be more commercial than its predecessors. The impairment review suggested that cashflows would be positive throughout the life of the station, with the initial investment (including both monies already expensed and forecast costs to complete) being covered within the first four years of operation. For this reason, no further impairment has been undertaken on this asset. For the time being though, management has maintained the impairment that was placed on the asset in the prior year until the volume of refuelling events can be more reliably ascertained when the station becomes fully operational.

Post year-end the assets in use were transferred into a new 100% owned subsidiary, and assets under construction will be transferred upon completion. 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 to meet the critical capacity required of the new business model.

Impairment of £862,000 was also recognised for a unit that will now no longer be put to public use but instead retained as an internal training aid.

During the year, management reconsidered the recoverability of its internally-generated intangible asset which is included in its balance sheet at £3.2m (2020: £2.1m). Most of 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 continuing design work for standard products and advancements or efficiencies that should allow the Group to improve its offering and gain interest in new markets.

RECOVERABILITY OF GRANT DEBTORS

Accrued grant income is specifically reviewed to ensure spend continues within the parameters of the grants and the value of the grant award is unchanged. In the case of grants awarded by the EU, following Brexit all grants that are contracted continue to be considered recoverable.

DEFERRED TAX ASSET

As in previous years, the Group has not recognised a deferred tax asset for its historical losses, mentioned in note 10. This is due to the fact that the Group has forecast further losses over the coming 13 months and likely for the next few years. This decision will continue to be reviewed as we approach break-even or become profit-making and in light of any changes to tax legislation that might arise to limit the losses that can be utilised.

KEY SOURCES OF ESTIMATION UNCERTAINTY

PROVISIONS

Note 21 gives details of the amounts currently recognised under four different categories of provision.

Management have particularly considered the following:

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 immediately extended.

A provision for onerous contracts (contract losses) has been recognised 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. Furthermore, the Group uses software to track the risks and opportunities of each project. This gives a potential cost and risk rating for active risks and has been reviewed by management at year end in order to determine if any additional contingency should be recognised on projects. A sensitivity analysis was performed on the current provision and future forecast costs. If forecasted costs were to increase by 10%, the provision would need to increase by £1.8m (2020: £0.9m).

A leasehold property provision was recognised in prior years for dilapidations work in relation to our previous premises for handover to the landlords. The amount was calculated by a value per square metre and adjusted based on assessment of the first premises that we were due to leave. As we near vacation of properties, the provision is flexed on a property by property basis to reflect best estimates of dilapidations work to be completed.

Additionally this year, an estimate for reinstatement works at Bessemer Park has been provided by the Employers Agent retained by the Company for the fit-out of the factory. They have provided this information using an estimated 2.5% inflation but the further calculation of present value requires the use of a discount factor. The Group has selected a discount factor of 7.5% as this falls between the risk free rate for a fifteen year government bond and a full WACC rate that would incorporate the effects of tax etc. that are not relevant to this scenario. It also aligns the dilapidations with the incremental borrowing rate used on both the deposit and lease of Bessemer Park. This provided us with a provision of £530,000.

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:

		2021 £'000		2020 £'000
Revenue from product sales recognised over time		1,697		2,256
Consulting contracts recognised over time		2,108		470
Maintenance contracts recognised at a point in time		112		48
Fuel Sales		153		367
Other (e.g. scrap sales)		205		150
REVENUE IN THE CONSOLIDATED INCOME STATEMENT		4,275		3,291
Grant income shown against cost of sales		1,356		1,719
Grant income (claims made for projects)	761		753	
Other government grants (R&D claims)	404		252	
Other government grants (Covid-19 furlough scheme)	25		44	
		1,190		1,049
		6,821		6,059

At 30 April 2021, the aggregate amount of the transaction price allocated to remaining performance obligations of continuing build contracts was £16.7m (2020: £3.8m). The Group expects to recognise the remaining performance obligations within one year.

SEGMENT INFORMATION

ITM Power 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:

	2021 £'000	2020 £'000
POWER-TO-GAS (of which product sales recognised over time £42,000)	210	332
REFUELLING (of which product sales recognised over time -£215,000)	(38)	1,247
INDUSTRIAL (of which product sales recognised over time £1,870,000)	1,870	1,147
OTHER	2,233	565
REVENUE IN THE CONSOLIDATED INCOME STATEMENT	4,275	3,291

The negative sales revenue on refuelling was caused by the effects of foreign exchange as well as actual and forecast overruns (affecting stage of completion) on the product sale therein.

5. REVENUE, OPERATING SEGMENTS & INCOME FROM GOVERNMENT GRANTS (CONTINUED)

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, 2020: £Nil) and assets relating to our German office (net book value £60,000, 2020: £31,000). Revenues have been generated as follows:

	2021 £'000	2020 £'000
UNITED KINGDOM	2,505	828
GERMANY (of which product sales recognised over time £1,893,000)	1,966	1,167
REST OF EUROPE (of which product sales recognised over time -£196,000)	(196)	1,118
UNITED STATES	-	178
	4,275	3,291

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

		2021 £'000	2020 £'000
CUSTOMER A	**INDUSTRIAL**	1,870	1,140
CUSTOMER B	**OTHER**	2,027	410
CUSTOMER C	**REFUELLING**	<10%	854

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

	2021 £'000	2020 £'000
Loss for the year has been arrived at after charging/ (crediting):		
Net foreign exchange (gains)	(53)	(184)
Shared based payment charge (note 24)	799	2,625
Depreciation of property, plant and equipment	2,321	2,440
Impairment of non-current assets	1,713	5,588
Amortisation of intangibles	274	197
Research and non-capitalised Development costs	3,489	2,298
Expected credit loss (debtors)	(3)	(15)
Expected credit loss (prepaid suppliers)	168	-
Loss on disposal of property, plant and equipment	173	473
RENTALS UNDER SHORT-TERM LEASES:		
• Land and buildings	8	83
• Other equipment	142	413
Government grants receivable	(2,546)	(2,768)
Staff costs (note 8)	11,434	8,642
Cost of inventories recognised as an expense	4,241	4,326
Movement on aged stock provision	845	108

6. LOSS FOR THE YEAR (CONTINUED)

Whilst costs have been shown on the income statement by function within the company, the following table shows costs grouped by nature:

	2021 £'000	2020 £'000
DIRECT COSTS		
Materials	4,241	4,624
Labour	707	923
Other bought in items	6,987	5,181
Warranty	210	111
TOTAL DIRECT COSTS	12,145	10,839
OPERATING COSTS		
Staff & employment costs	9,594	8,831
Consultancy & consumables	5,666	5,655
Building overheads	1,650	2,097
Depreciation	2,321	2,447
Amortisation	274	197
Impairment	1,713	5,588
Other	115	(199)
TOTAL OPERATING COSTS	21,333	24,616

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;

	2021 £'000	2020 £'000
Loss from operations	(26,657)	(29,396)
ADD BACK:		
Depreciation	2,321	2,440
Impairment	1,713	5,588
Amortisation	274	197
Loss on disposal	173	473
Share based payment charge (note 24)	799	2,625
	(21,377)	(18,073)

7. AUDITORS' REMUNERATION

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

	2021 £'000	2020 £'000
FEES PAYABLE TO THE COMPANY'S AUDITOR FOR		
• The audit of the Company's annual accounts	120	60
• The audit of the Company's subsidiaries pursuant to legislation	33	30
TOTAL AUDIT FEES	153	90
OTHER SERVICES PURSUANT TO LEGISLATION		
• Interim agreed upon procedures/review work (audit related services)	13	13
TOTAL NON-AUDIT FEES	13	13

In addition to last year's reported audit figures an additional amount was agreed and paid of £70,000, making the total payable £160,000.

8. REMUNERATION OF DIRECTORS AND EMPLOYEES

2020-21	FEES/BASIC SALARY £'000	ANNUAL BONUSES £'000	TOTAL EXCLUDING PENSION £'000	PENSION CONTRIBUTIONS £'000	TOTAL £'000
EXECUTIVE DIRECTORS					
Dr S Bourne	214	121	335	20	355
Dr G Cooley	311	189	500	-	500
Dr R Smith	144	68	212	13	225
A Allen	135	66	201	22	223
NON-EXECUTIVE DIRECTORS					
R Bone	83	-	83	-	83
M Green	52	-	52	-	52
K Roe	53	-	53	-	53
B Pendlebury	-	-	-	-	-
J Nowicki	-	-	-	-	-
T Rae	-	-	-	-	-
AGGREGATE EMOLUMENTS	992	444	1,436	55	1,491
EMPLOYERS NI					169
SHARE BASED PAYMENT EXPENSE IN RESPECT OF DIRECTORS					549
TOTAL COSTS FOR DIRECTORS AND KEY MANAGEMENT PERSONNEL					2,209

The amount shown for M Green is net of the pay accrued in the prior year and shown in the table below.

2019-20	FEES/BASIC SALARY £'000	ANNUAL BONUSES £'000	TOTAL EXCLUDING PENSION £'000	PENSION CONTRIBUTIONS £'000	TOTAL £'000
EXECUTIVE DIRECTORS					
Dr S Bourne	178	56	234	9	243
Dr G Cooley	214	109	323	23	346
Dr S Smith	118	25	143	11	154
A Allen	102	17	119	18	137
NON-EXECUTIVE DIRECTORS					
Prof R Putnam	192	-	192	-	192
Lord Freeman	19	-	19	-	19
B Pendlebury	-	-	-	-	-
R Bone	58	-	58	-	58
M Green	30	-	30	-	30
J Nowicki	-	-	-	-	-
AGGREGATE EMOLUMENTS	911	207	1,118	61	1,179
EMPLOYERS NI					167
SHARE BASED PAYMENT EXPENSE IN RESPECT OF DIRECTORS					2,611
TOTAL COSTS FOR DIRECTORS AND KEY MANAGEMENT PERSONNEL					3,957

Four directors were members of money purchase schemes during the year (2020: 4).

8. REMUNERATION OF DIRECTORS AND EMPLOYEES (CONTINUED)

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 2020 NUMBER	GRANT DATE	30 APRIL 2021 NUMBER	EXERCISE PRICE £'000	DATE FROM WHICH EXERCISABLE	EXPIRY DATE
Dr S Bourne	EMI	123,596	24/01/2011	-	67p	24/01/2015	23/01/2021
Dr S Bourne	Unapproved	276,404	24/01/2011	-	67p	24/01/2014	23/01/2021
Dr S Bourne	EMI	100,000	01/08/2012	-	50p	01/08/2015	31/07/2022
Dr S Bourne	Unapproved	250,000	06/08/2014	-	27p	01/08/2017	05/08/2024
Dr S Bourne	Unapproved	583,333	14/08/2018	-	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 S Bourne	Unapproved	159,750	24/10/2019	159,750	48p	23/10/2022	23/10/2029
Dr G Cooley	Unapproved	800,000	24/01/2011	-	67p	24/01/2014	23/01/2021
Dr G Cooley	EMI	250,000	19/07/2012	-	50p	19/07/2015	18/07/2022
Dr G Cooley	Unapproved	750,000	06/08/2014	-	27p	06/08/2015	05/08/2024

NAME OF DIRECTOR	SCHEME	1 MAY 2020 NUMBER	GRANT DATE	30 APRIL 2021 NUMBER	EXERCISE PRICE £'000	DATE FROM WHICH EXERCISABLE	EXPIRY DATE
Dr G Cooley	Unapproved	1,000,000	14/08/2018	1,000,000	30p	14/08/2019	13/08/2028
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
Dr G Cooley	Unapproved	307,500	24/10/2019	307,500	48p	23/10/2022	23/10/2029
Dr R Smith	Unapproved	416,666	14/08/2018	-	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
Dr R Smith	Unapproved	72,000	24/10/2019	72,000	48p	23/10/2022	23/10/2029
A Allen	EMI	16,666	23/03/2011	-	55p	22/03/2012	22/03/2021
A Allen	EMI	16,666	23/03/2011	-	55p	22/03/2013	22/03/2021
A Allen	EMI	16,668	23/03/2011	-	55p	22/03/2014	22/03/2021
A Allen	Unapproved	333,333	14/08/2018	-	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
A Allen	Unapproved	47,250	24/10/2019	47,250	48p	23/10/2022	23/10/2029

8. REMUNERATION OF DIRECTORS AND EMPLOYEES (CONTINUED)

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

NAME OF DIRECTOR	SCHEME	OPTIONS AT 30 APRIL 2021	GRANT DATE	LAST VESTING DATE	EXPIRY DATE	EXERCISE PRICE
A Allen	Unapproved	52,478	22/10/2020	22/10/2023	22/10/2030	5p
A Allen	Unapproved	45,919	13/11/2020	22/10/2023	13/11/2030	5p
Dr G Cooley	Unapproved	100,912	22/10/2020	22/10/2023	22/10/2030	5p
Dr G Cooley	Unapproved	88,298	13/11/2020	22/10/2023	13/11/2030	5p
Dr R Smith	Unapproved	77,530	22/10/2020	22/10/2023	22/10/2030	5p
Dr R Smith	Unapproved	67,839	13/11/2020	22/10/2023	13/11/2030	5p
Dr S Bourne	Unapproved	52,415	22/10/2020	22/10/2023	22/10/2030	5p
Dr S Bourne	Unapproved	48,863	13/11/2020	22/10/2023	13/11/2030	5p

Gains made by directors exercising share options in the year:

DIRECTOR	TYPE OF SHARE OPTION	NUMBER OF SHARES EXERCISED	EXERCISE PRICE	MARKET PRICE AT DATE OF EXERCISE	GAIN MADE £'000
S Bourne	EMI	123,596	67p	283.05p	267.3
S Bourne	Unapproved	276,404	67p	283.05p	597.9
S Bourne	EMI	100,000	50p	283.05p	233.2
S Bourne	Unapproved	250,000	27p	283.05p	641.4
S Bourne	Unapproved	583,333	30p	283.05p	1,476.1
G Cooley	Unapproved	800,000	67p	283.05p	1,730.4
G Cooley	EMI	250,000	50p	283.05p	582.6
G Cooley	Unapproved	750,000	27p	283.05p	1,924.1
R Smith	Unapproved	416,666	30p	283.05p	1,054.4
A Allen	EMI	50,000	55p	283.05p	114.3
A Allen	Unapproved	333,333	30p	283.05p	798.9

8. REMUNERATION OF DIRECTORS AND EMPLOYEES (CONTINUED)

REMUNERATION OF THE HIGHEST PAID DIRECTOR	2021 £'000	2020 £'000
Aggregate emoluments	500	323
Money purchase pension contributions	-	23
	500	**346**

Gains made by the highest paid director exercising share options in the year were £4.2m (2020: £0.4m)

MONTHLY AVERAGE NUMBER OF PERSONS EMPLOYED	2021 NUMBER	2020 NUMBER
• Research and development	54	28
• Production and engineering	113	116
• Sales and marketing	13	12
• Administration	30	22
	210	**178**

STAFF COSTS DURING THE YEAR (INCLUDING DIRECTORS)	2021 £'000	2020 £'000
Wages and salaries	8,687	7,208
Social security costs	1,988	821
Other pension costs	759	613
Share based payment expense	799	2,625
	12,233	11,267
Less: staff costs capitalised in development costs	(1,430)	(1,690)
STAFF COSTS EXPENSED IN THE YEAR	**10,803**	**9,577**

As at 30 April 2021 pension contributions of £72,000 (2020: £52,000) 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

9. FINANCE INCOME AND COSTS

FINANCE INCOME	2021 £'000	2020 £'000
Interest received on cash deposits	83	90
FINANCE COST		
Interest paid	(60)	(11)
Lease liability interest paid	(419)	(203)
	(479)	(214)
NET FINANCE COSTS	**(396)**	**(124)**

10. TAX

CURRENT TAXATION	2021 £'000	2020 £'000
Tax charge in the year	25	12
Tax charge relating to prior years	24	26
	49	38

Corporation tax is calculated at 19% (2020: 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:

	2021 £'000	2020 £'000
Loss before tax	(27,648)	(29,523)
TAX ON LOSS AT 19% (2020: 19%)	(5,253)	(5,609)
Factors affecting (charge)/credit for the year:		
Expenses not deductible for tax purposes	204	542
Fixed asset differences	1,510	1,649
Tax charge on current year RDEC claim	25	12
Adjustments in respect of prior years	24	26
Unrelieved tax losses carried forward	3,539	3,418
TAX CHARGE FOR THE YEAR	49	38

FACTORS AFFECTING FUTURE TAX CHARGES

The Group has tax losses of approximately £65.6m (2020: £47.8m) available to carry forward against future taxable profits, subject to agreement with HM Revenue & Customs. Deferred tax would have been calculated at the new rate of 25% following substantive enactment in May 2021. However, a deferred tax asset has not been recognised so this change is immaterial to the current financial statements.

11. LOSS PER SHARE

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

	2021 £'000	2020 £'000
Loss for the purposes of basic and diluted loss per share being net loss attributable to owners of the Company	(27,697)	(29,561)
NUMBER OF SHARES		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	507,262,743	398,184,707
Loss per share	5.5p	7.4p

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. The number of potentially dilutive shares not included in the calculation above due to being anti-dilutive in the years presented were 50,893,546 (2020: 85,329,719).

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.

Below we provide information regarding the performance of the investment in associate within the year:

	2021 £'000	2020 £'000
Cost brought forward	346	-
Additions	535	344
Foreign exchange adjustment	(27)	5
50% share of loss recognised in the year	(595)	(3)
	259	346

12. INVESTMENTS (CONTINUED)

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.

Key financial data of ITM Linde Electrolysis (ILE):

	30 April 2021 £'000	30 April 2020 £'000
Non-current assets	14	-
Current Assets	3,145	640
Current liabilities	(2,658)	-
Revenue	1,018	-
Loss from continuing operations	(1,193)	(6)

Balance Sheet figures were translated from euros using year-end exchange rate of 1.16 (2020: 1.12). Revenue and loss figures were translated using an average exchange rate of 1.12 (2020: 1.14).

During the year, besides the transfer of further investment, ITM Power continues to pay for the hosting of ILE's website. ITM Power engaged ILE for consultancy work equating to £0.8m during the year, of which £0.2m remained unpaid at year-end. Sales of £2.1m were billed to ILE and were outstanding at year-end. Further cash injections are planned over the next few months, equating to €750,000 by each party.

13. INTANGIBLE ASSETS

	SOFTWARE £'000	KNOW-HOW £'000	DEVELOPMENT COSTS £'000	TOTAL £'000
Cost at 1 May 2019	59	559	297	915
Transfers	-	66	(66)	-
Additions	81	-	1,690	1,771
Grant received	-	-	(89)	(89)
Cost at 1 May 2020	140	625	1,832	2,597
Transfers	-	2,170	(2,170)	-
Additions	-	-	1,524	1,524
Grant received	-	-	(135)	(135)
Cost at 30 April 2021	140	2,795	1,051	3,986
Amortisation at 1 May 2019	6	240	-	246
Charge for the year	36	161	-	197
Amortisation at 1 May 2020	42	401	-	443
Charge for the year	46	228	-	274
Amortisation at 30 April 2021	88	629	-	717
Carrying amount at 30 April 2021	52	2,166	1,051	3,269
Carrying amount at 30 April 2020	98	224	1,832	2,154

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 Know-how category is the design of our 10MW standard product. This transferred in towards the year-end with a value of £1.69m (2020: £1.1m included within development costs) and 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 £'000	LEASED VEHICLES £'000	OFFICE EQUIPMENT £'000	TOTAL £'000
Cost at 1 May 2019 (on transition to IFRS 16)	1,014	72	-	1,086
Additions	6,058	22	-	6,080
Cost at 1 May 2020	7,072	94	-	7,166
Additions	544	52	48	644
Disposals	(179)	(2)	-	(181)
COST AT 30 APRIL 2021	7,437	144	48	7,629
Depreciation at 1 May 2019	-	-	-	-
Charge for the year	475	38	-	513
Impairment	133	-	-	133
Depreciation at 1 May 2020	608	38	-	646
Charge for the year	698	45	2	745
Disposals	(159)	(2)	-	(161)
DEPRECIATION AT 30 APRIL 2021	1,147	81	2	1,230
NET BOOK VALUE AT 30 APRIL 2021	6,290	63	46	6,399
NET BOOK VALUE AT 30 APRIL 2020	6,464	56	-	6,520

The Group currently holds right of use assets in both the UK (4 properties, 12 vehicles and office equipment) and Germany (1 property and 3 vehicles).

Right of Use assets are depreciated over their lease term. An impairment was recognised in the prior year, in accordance with IAS 36 Impairment of Assets, for the remaining leases on buildings that we were preparing to quit when we moved to Bessemer Park. This involved three separate properties that housed our UK workforce and reduced their carrying value so as not to be depreciating them beyond March 2021.

In the current year, the leasehold property additions include the provision for Bessemer Park dilapidations.

15. PROPERTY, PLANT AND EQUIPMENT

	PRODUCTION PLANT & EQUIPMENT £'000	LABORATORY & TEST EQUIPMENT £'000	COMPUTER EQUIPMENT £'000	OFFICE FURNITURE & FITTINGS £'000	LEASEHOLD IMPROVEMENTS £'000	ASSETS IN THE COURSE OF CONSTRUCTION £'000	TOTAL £'000
COST 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
COST AT 1 MAY 2020	5,466	1,993	916	213	7,585	5,845	22,018
Additions	893	309	376	244	7,463	5,140	14,425
Grant income						(3,857)	(3,857)
Transfers	1,657	-	-	-	-	(1,657)	-
Disposals	(437)	(45)	(9)	(135)	(1,534)	-	(2,160)
Foreign Exchange	-	-	-	-	-	(84)	(84)
COST AT 30 APRIL 2021	7,579	2,257	1,283	322	13,514	5,387	30,342
DEPRECIATION AT 1 MAY 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
DEPRECIATION AT 1 MAY 2020	4,997	1,674	747	197	3,507	4,394	15,516
Disposals	(268)	(44)	(5)	(126)	(1,533)	-	(1,976)
Charge for the year	325	191	140	39	881	-	1,576
Impairment	841	-	-	-	-	872	1,713
Foreign Exchange	(1)	-	-	-	-	-	(1)
DEPRECIATION AT 30 APRIL 2021	5,894	1,821	882	110	2,855	5,266	16,828
NET BOOK VALUE AT 30 APRIL 2021	1,685	436	401	212	10,659	121	13,514
NET BOOK VALUE AT 30 APRIL 2020	469	319	169	16	4,078	1,450	6,501

16. INVENTORIES

	2021 £'000	2020 £'000
Raw Materials	3,879	3,277
Work in progress	2,539	1,155
	6,418	4,432

Inventories have been stated after a provision for impairment of aged-stock of £1.3m (2020: £0.4m).

17. CONTRACT BALANCES & PERFORMANCE OBLIGATIONS

	2021 £'000	2020 £'000
Contract revenue recognised through release from deferred income	1,538	484
Release from transitional adjustment	-	10
	1,538	494

In 2019, 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 2020, the last of those projects completed and thus the remaining adjustment was released and shown separately.

	2021 £'000	2020 £'000
Contracts with customers in progress at the balance sheet date:		
Amounts due from contract customers included in trade and other receivables	5,727	1,067
Contract assets (accrued income)	873	735
Contract liabilities (deferred income)	(6,740)	(3,050)
Balance sheet position of sales contracts	(140)	(1,248)

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.

18. TRADE AND OTHER RECEIVABLES

	2021 £'000	2021 £'000	2020 £'000	2020 £'000
Amount receivable for the sale of goods	100		45	
Amounts due from construction contract customers (note 17)	5,432		1,067	
Amounts receivable under grant claims	-		4,273	
Impairment for credit risk	(59)		(62)	
Total trade receivables		5,473		5,323
Restricted cash balances		1,050		1,083
Other receivables		503		869
R&D relief claims receivable		550		317
Prepayments		6,526		13,289
Amounts recoverable from employees		3,183		-
Accrued Sales income		873		735
Accrued Grant income		4,823		1,550
		22,981		23,166

18. TRADE AND OTHER RECEIVABLES (CONTINUED)

Grant receivables are no longer held within Trade Receivables but remain within Accrued Grant income until received.

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.

Amounts recoverable from employees relates to the employer's national insurance on share options where, under the terms of the offer, staff will cover this cost upon exercise.

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:

	2021 £'000	2020 £'000
Less than 30 days	4,955	3,713
31-60 days	220	95
61-90 days	245	777
Greater than 91 days	112	800
	5,532	5,385

MOVEMENT IN THE ALLOWANCE FOR DOUBTFUL DEBTS

	2021 £'000	2020 £'000
Brought forward balance at 1 May	62	77
Impairment losses recognised	-	-
Movement on credit risk provision	(3)	(15)
Amounts written off during the year as uncollectible	-	-
BALANCE AT 30 APRIL	59	62

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

19. CASH AND CASH EQUIVALENTS

	2021 £'000	2020 £'000
Cash and cash equivalents	176,078	39,919

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

	2021 £'000	2020 £'000
Trade payables	1,191	2,507
Other taxation and social security	511	272
Other creditors	-	33
Forward contracts	8	-
Accruals	2,112	1,957
Deferred Sales income	6,740	3,050
Deferred Grant income	1,751	305
Grant income received against pro-forma	544	5,889
	12,857	14,013

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

21. PROVISIONS

2019-20	LEASEHOLD PROPERTY PROVISION £'000	WARRANTY £'000	PROVISION FOR CONTRACT LOSSES £'000	EMPLOYERS' NATIONAL INSURANCE PROVISION £'000	OTHER PROVISIONS £'000	TOTAL PROVISIONS £'000
Balance at 1 May 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 1 May 2020	(750)	(848)	(3,645)	(1,647)	-	(6,890)
Provision created in the year	(584)	(210)	(2,574)	(3,871)	(677)	(7,916)
Use of the provision	140	252	1,399	560	-	2,351
Release in the year	170	9	-	-	-	179
Balance at 30 April 2021	(1,024)	(797)	(4,820)	(4,958)	(677)	(12,276)

The leasehold property provision represented 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. During the year we vacated one of those properties, incurring fewer costs than anticipated. We also started the dilapidations work on a second property with costs forecast to exceed the provision so an additional amount was added to the provision. The third property carries a potential break clause in April 2022. During the year, we completed our adaptation works at Bessemer Park and so have recognised a dilapidations provision at a discounted value. This is for the present value of the cost of works quoted by our Employers Agent for stripping the work back to the original condition at handover from the landlords. The discounting will amortise over the remaining 14 years of the lease.

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.

Included within warranties is the cost of extensive refurbishment of a system due to extreme weather conditions. The effect of removing this one unit from the provision would be:

	WARRANTY £'000
Balance at 1 May 2019	(409)
Provision created in the year	(65)
Use of the provision	9
Release in the year	10
Balance at 1 May 2020	(455)
Provision created in the year	(210)
Use of the provision	20
Release in the year	9
Balance at 30 April 2021	(636)

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

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. This is expected to unwind within the next financial year.

The provision for employer's national insurance due on share options as they exercise (see share-based payment note 24).

The other provisions category relates to a provision for breach of contract by a supplier and for potential late penalties on a project.

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:

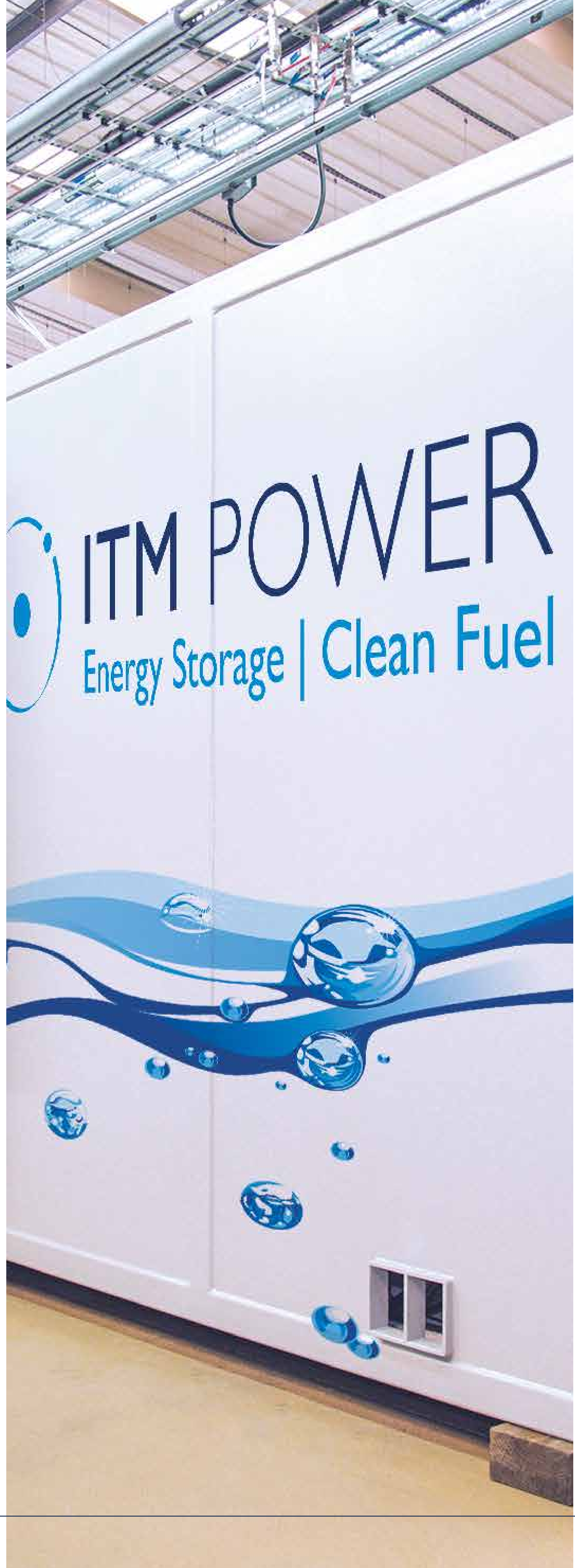
2021	LEASEHOLD PROPERTY £'000	OFFICE EQUIPMENT £'000	MOTOR VEHICLES £'000	TOTAL £'000
Brought forward at 1 May 2020	6,492	-	34	6,526
Adjustments	15	-	1	16
Additions	-	48	52	100
Interest Applied	454	-	1	455
Payments made	(573)	(4)	(34)	(611)
AT 30 APRIL 2021	6,388	44	54	6,486
SPLIT:				
Within 1 year	430	11	30	471
2-5 years (inclusive)	3,169	41	27	3,237
Over 5 years	6,711	-	-	6,711
LESS:				
Future finance charges	(3,922)	(8)	(3)	(3,933)
PRESENT VALUE OF LEASE OBLIGATIONS	6,388	44	54	6,486
IN THE BALANCE SHEET:				
Due within 12 months (current)	168	8	28	204
Due after 12 months (non-current)	6,220	36	26	6,282

2020	LEASEHOLD PROPERTY £'000	OFFICE EQUIPMENT £'000	MOTOR VEHICLES £'000	TOTAL £'000
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
SPLIT:				
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
IN THE BALANCE SHEET:				
Due within 12 months (current)	184	-	27	211
Due after 12 months (non-current)	6,308	-	7	6,315

22. LEASE LIABILITIES (CONTINUED)

Adjustments refers to contracts that have changed their length of duration or their value during the year e.g. following a rent review or a change in decision regarding potential break clauses. 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.

Total lease payments for capitalised leases and short-term leases was £762,000 (2020: £935,000).



23. CALLED UP SHARE CAPITAL AND RESERVES

	2021 £'000	2020 £'000
CALLED UP, ALLOTTED AND FULLY PAID:		
550,658,155 (2020: 473,277,926) ordinary shares of 5p each	27,533	23,664
AUTHORISED SHARE CAPITAL:		
550,658,155 (2020: 473,277,926) ordinary shares of 5p each	27,533	23,664

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) Limited 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. SHARE-BASED PAYMENTS

EQUITY-SETTLED SHARE OPTION SCHEME

The Group operates a number of share 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:

- An all-employee Share Incentive Plan (referred to as the BAYE scheme)
- Enterprise Management Incentive (EMI) options; and
- Non EMI or "unapproved" options in lieu of payment for services.

SHARE INCENTIVE PLAN

In FY21, the group implemented a new Share Incentive Plan (referred to as the BAYE scheme), which is available to all employees. Employees can contribute up to £150 per month to acquire partnership shares, which are purchased or allotted in monthly accumulation periods.
The Group currently matches employee contributions on a one-for-one basis to acquire matching shares.

At 30 April 2021 the trustees of the SIP held 25,679 ordinary shares in ITM Power, of which 25,518 have been conditionally awarded to employees and 161 remain unallocated.

The group recognised a charge of £75,000 in relation to this scheme in 2021 (2020: £nil).

EMI & NON-EMI SHARE OPTION PLANS

In 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 over a period of 3-5years and are exercisable up to the tenth anniversary of the grant. The last of the EMI share options were exercised in the current financial year. These were replaced by a new non-EMI scheme in 2020. A more comprehensive description of the different schemes can be found within the Remuneration Committee Report.

Movements within the year on the share option plans (including both the EMI and non EMI options) were as follows:

	NUMBER	2021 WEIGHTED AVERAGE EXERCISE PRICE	NUMBER	2020 WEIGHTED AVERAGE EXERCISE PRICE
Outstanding at the beginning of the year	10,486,500	36p	12,316,745	33p
Granted during the year	1,275,172	5p	586,500	48p
Exercised during the year	(4,183,333)	44p	(2,213,338)	23p
Expired during the year	(76,485)	5p	(203,407)	18p
OUTSTANDING AT THE END OF THE YEAR	7,501,854	27p	10,486,500	36p
EXERCISABLE AT THE END OF THE YEAR	3,333,333	30p	5,233,332	41p

The options outstanding at 30 April 2021 had a weighted average exercise price of 27p and a weighted average remaining contractual life of 5 years.

The fair value of options issued in the current year was measured using a Monte Carlo options pricing model. This is a change from our previous measure (the Black Scholes model) as the more recent issue of share options included a TSR performance condition. Thus, IFRS 2 requires the use of a model that can take into account the likelihood of the performance condition being achieved.

The assumptions used in the models are as follows:

	2021	2020
WEIGHTED AVERAGES		
Share price	256p	41p
Exercise price	5p	41p
Expected volatility	84.7%	81.9%
Expected life	3 years	5 years
Risk-free rate	-0.06%	2.18%

24. SHARE-BASED PAYMENTS (CONTINUED)

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. Expected volatility was determined by calculating the historical volatility of the Company's shares over a period in line with the expected term of the options. The expected dividend impact used is 0% as participants are entitled to dividend equivalents.

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

	2021 £'000	2020 £'000
Share based payment expense (as seen through equity)	595	978
Purchase of partnership shares under the BAYE scheme	75	-
Provision for employers' national insurance on potential gain	129	1,647
	799	2,625

For options granted prior to 2020, 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. For options granted from 2020, the Group have agreed to transfer the employer's National Insurance liability to the employee share option holders.

25. NOTES TO THE CASH FLOW STATEMENT

	2021 £'000	2020 £'000
Loss from operations	(26,657)	(29,396)
ADJUSTMENTS:		
Depreciation	2,321	2,440
Share based payment	595	978
Loss on disposal	173	473
Impairment	1,712	5,588
Amortisation	274	197
OPERATING CASH FLOWS BEFORE MOVEMENTS IN WORKING CAPITAL	(21,582)	(19,720)
(INCREASE) IN INVENTORIES	(1,987)	(2,525)
DECREASE IN RECEIVABLES	185	7,964
DECREASE IN PAYABLES	(1,156)	(2,882)
INCREASE IN PROVISIONS	4,857	5,285
CASH USED IN OPERATIONS	(19,683)	(11,878)
Interest paid	(479)	(214)
Income taxes received	21	52
NET CASH USED IN OPERATING ACTIVITIES	(20,141)	(12,040)

The movement on provisions has been adjusted by £530,000 as the Bessemer Park dilapidations provision has been posted against right of use assets and therefore no adjustment to the income statement for this non-cash item is required.

26. NET CASH RECONCILIATION

	LEASE LIABILITIES £'000	CASH £'000	TOTAL £'000
NET DEBT AS AT 1 MAY 2019	-	5,173	5,173
Recognised on adoption of IFRS 16	(850)	-	(850)
Adjusted	(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 1 MAY 2020	(6,526)	39,919	33,393
Adjusted	(16)	-	(16)
Cashflows	611	136,181	136,792
Acquisition -leases	(100)	-	(100)
Other changes -interest expense	(455)	(22)	(477)
NET CASH AS AT 30 APRIL 2020	(6,486)	176,078	169,592

27. CAPITAL COMMITMENTS

The Group had capital commitments of £1.1m at the Balance Sheet date (2020: £7.9m, of which £4.7m related to Bessemer Park).

28. 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.
One such provision has been made within Other Provisions. At the current time, no further penalties have been raised by customers.

29. 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. The funds have also been split between different banking institutions. 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.

29. FINANCIAL INSTRUMENTS (CONTINUED)

CATEGORIES OF FINANCIAL INSTRUMENTS

FINANCIAL ASSETS – AMORTISED COST	2021 £'000	2020 £'000
Financial asset at amortised cost	148	137
Cash and cash equivalents	176,078	39,919
Trade debtors (excluding IFRS 9 impairment)	5,532	5,385
Restricted cash balances	1,050	1,083
Other receivables	455	869
Accrued Sales income	541	735
Accrued Grant income	4,823	1,550
	188,627	49,678

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 do not consider there to be undue risk associated with receivables.

FINANCIAL LIABILITIES - AMORTISED COST	2021 £'000	2020 £'000
Trade payables	1,191	2,507
Other creditors	-	33
Accruals	2,112	1,957
Lease liabilities	6,486	6,526
	9,789	11,023

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

	WITHIN 1 YEAR £'000	2-5 YEARS (INCLUSIVE) £'000	OVER 5 YEARS £'000	TOTAL NET PAYABLE
2021				
Trade and other payables	3,303	-	-	3,303
Lease liabilities	473	3,236	6,711	10,420
	3,776	3,236	6,711	13,723
2020				
Trade and other payables	4,497	-	-	4,497
Lease liabilities	591	2,756	7,557	10,904
	5,088	2,756	7,557	15,401

29. FINANCIAL INSTRUMENTS (CONTINUED)

FAIR VALUE THROUGH PROFIT AND LOSS

As at 30 April 2021, the Group held foreign currency forward contracts that were measured at fair value through profit or loss (2020: none). The figure shown in note 20 represents the difference between their contract value and the exchange rates at the balance sheet date. These financial instruments would sit within level 2 of a fair value hierarchy, being derived from other inputs -other than quoted prices in active markets- that are observable. However, as they are the only financial instruments measured by fair value, no fair value hierarchy table has been presented.

The carrying value of all other financial instruments at 30 April 2021 and 30 April 2020 approximated to their fair value.

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 counterparty 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 £0.4m (2020: £1.6m) that were overdue but considered fully recoverable. Of this, £0.1m relates to temporary contractual retentions. For comparison, it should be noted that grant claims are no longer held in trade receivables but represented £1.03m of the previous year's balance. 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 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 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 trade (transactions with both suppliers and customers) in a variety of locations and denominated in currencies other than the functional currency of the operating unit excluding intercompany balances.

FOREIGN CURRENCY RISK MANAGEMENT

These exposures were as follows:

		LIABILITIES		ASSETS	
		2021 £'000	2020 £'000	2021 £'000	2020 £'000
EUR	(i)	1,504	91	4,175	12,754
USD	(ii)	32	100	596	1,016
SEK	(iii)	-	-	-	68
AUD	(iv)	9	-	285	1
		1,545	191	5,056	13,839

(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.

29. FINANCIAL INSTRUMENTS (CONTINUED)

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.

	EURO impact		USD impact		AUD impact	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Profit or loss	70	93	61	34	37	46

If interest rates had been 1% higher/lower and all other variables had remained constant, loss for the year would have decreased/increased by £168,000 (2020: £173,000).

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.

30. 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 T Rae) totalled £141 (2020: £631). The balance outstanding at the year-end was £260 (2020: £631), which is deemed as being fully recoverable.

During the year purchases from Linde/BOC Group, represented on the Board by J Nowicki, totalled £3.5m (2020: £1.3m) with £255,867 outstanding for payment at year-end (2020: £2,427). Furthermore, an amount of £0.6m relates to stage payments made for goods included in AUC but not yet received. There were also sales of £0.4m of which only £13,684 remained outstanding at year end (2020: £2,997 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.

31. 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.

32. EVENTS AFTER THE BALANCE SHEET DATE

Post balance sheet, a new subsidiary was created to house the refuelling assets that had previously sat within ITM Power (Trading) Limited. ITM Motive Limited will be the own and operate the UK refuelling stations in order to drive their profitability. It is a 100% owned subsidiary so there will be no material impact on the consolidated accounts.

COMPANY STATEMENT OF CHANGES IN EQUITY

	CALLED UP SHARE CAPITAL £'000	SHARE PREMIUM ACCOUNT £'000	RETAINED LOSS £'000	TOTAL EQUITY £'000
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 1 MAY 2020	23,664	137,236	(124,781)	36,119
Issue of shares	3,869	165,012	-	168,881
Credit to equity for share-based payment	-	-	595	595
Loss for the year & comprehensive loss	-	-	(16,928)	(16,928)
AT 30 APRIL 2021	27,533	302,248	(141,117)	188,667

COMPANY BALANCE SHEET

	NOTE	2021 £'000	2020 £'000
FIXED ASSETS			
Tangible assets	4	8	5
Intangible assets	5	8	15
Investments	6	37,508	28,674
		37,524	28,694
CURRENT ASSETS			
Debtors	7	2,117	375
Cash at bank and in hand		152,556	8,641
		154,673	9,016
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR			
Trade and other payables	8	(611)	(597)
Provisions	9	(2,919)	(994)
		(3,530)	(1,591)
NET CURRENT ASSETS		151,143	7,425
NET ASSETS		188,667	36,119
CAPITAL AND RESERVES			
Called up share capital	10	27,533	23,664
Share premium account	10	302,248	137,236
Profit and loss reserve	10	(141,114)	(124,781)
SHAREHOLDERS' FUNDS		188,667	36,119

The Company reported a loss for the financial year ended 30 April 2021 of £16.9m (2020: £24.9m).

The financial statements of ITM Power Plc, registered number 05059407, were approved by the Board of Directors and authorised for issue 10 September 2021.

Signed on behalf of the Board of Directors

Andy Allen

ANDY ALLEN
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 non-current 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 are considered for any potential impairment under the IAS 36 Impairment of Assets. Given that the subsidiaries are 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 prior year, the Company invested in ITM Linde Electrolysis GmbH (ILE), which 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, who also has the casting vote. ITM Power has significant influence due its representation on the Board. As such, ITM Power accounts for this investment in associate using the equity method. This means that the investment is originally recognised at cost, with subsequent movements to reflect ITM Power's share of the profit or loss after the date of acquisition. This share of the profit or loss is recognised in the ITM Power's profit or loss. Should any adjustments be necessary for changes in proportionate interest arising from changes in ILE's other comprehensive income, ITM Power's share of those changes would be recognised in the other comprehensive income. Any distributions received will reduce the carrying amount of the investment.

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 Group 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 (other than for market-based performance conditions). 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.

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

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 indicators of impairment. 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 associate investment in ITM Linde Engineering GmbH was left un-impaired.

3. STAFF NUMBERS AND COSTS

	2021 NUMBER	2020 NUMBER
Monthly average number of persons employed	6	5

STAFF COSTS DURING THE YEAR (INCLUDING DIRECTORS)	2021 NUMBER £'000	2020 NUMBER £'000
Wages and salaries	1,007	828
Social security costs	131	128
Other pension costs	34	47
	1,172	1,003

REMUNERATION OF THE HIGHEST PAID DIRECTOR	2021 NUMBER £'000	2020 NUMBER £'000
Aggregate emoluments	500	323
Money purchase pension contributions	-	23
	500	346

As at 30 April 2021 pension contributions of £2,000 (2020: £2,000) 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
COST	
At 1 May 2020	197
ADDITIONS	8
At 30 April 2021	205
DEPRECIATION	
At 1 May 2020	192
Charge for the year	5
At 30 April 2021	197
NET BOOK VALUE	
At 30 April 2020	5
At 30 April 2021	8

5. INTANGIBLE ASSETS

	SOFTWARE £'000
COST	
At 1 May 2020	22
Additions	-
At 30 April 2021	22
AMORTISATION	
At 1 May 2020	7
Charge for the year	7
At 30 April 2021	14
CARRYING AMOUNT	
At 30 April 2020	15
At 30 April 2021	8

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 SUBSIDAIARY UNDERTAKINGS £'000	INVESTMENT IN SUBSIDAIARY UNDERTAKINGS £'000	INVESTMENT IN ASSOCIATE £'000	TOTAL £'000
COST				
At 1 May 2020	26,823	112,695	346	139,864
Additions	20,546	-	535	21,081
Foreign exchange	-	-	(27)	(27)
Share options granted to subsidiary employees	-	354	-	354
50% share of profit or loss	-	-	(595)	(595)
Transfers	(36,278)	36,278	-	-
At 30 April 2021	11,091	149,327	259	160,677
PROVISIONS FOR IMPAIRMENT				
At 1 May 2020	26,823	84,367	-	111,190
Movement in year	5,358	6,621	-	11,979
Transfers	(21,090)	21,090	-	-
At 30 April 2021	11,091	112,078	-	123,169
NET BOOK VALUE				
At 30 April 2020	-	28,328	346	28,674
At 30 April 2021	-	37,249	259	37,508

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:

SUBSIDIARY COMPANY	AMOUNT CONVERTED £'000
ITM Power GmbH	3,579
ITM Power (Trading) Limited	32,699
	36,278

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 recoverable amount was estimated based on fair value less costs to sell. The book value remaining on investment in subsidiary undertakings reflects the net assets available within ITM Power (Trading) Limited and ITM Power GmbH at the year-end, to the extent to which they are deemed to be sufficiently highly liquid e.g. cash.

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 (Newco) Limited, a company which is incorporated in England and Wales and its principal activity is the retail sale of automotive fuel in specialised stores. The company was incorporated in March and remained dormant up until the year-end in anticipation of activity during the next financial year.

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 2 Bessemer Park, Shepcote Lane, Sheffield, South Yorkshire, S9 1DZ.

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: 2 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: Suite 2, Ground Floor, Orchard Brae House, 30 Queensferry Road, Edinburgh, EH4 2HS

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 Electrolysis 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

	2021 £'000	2020 £'000
Prepayments	318	314
Amounts recoverable from employees	1,771	-
Other debtors	28	61
	2,117	375

The amounts recoverable from employees relate to the extent that employers' national insurance can be recovered when share options are exercised and will off-set the provision in note 9.

8. TRADE AND OTHER PAYABLES

	2021 £'000	2020 £'000
Trade creditors	119	228
Payroll creditors	33	21
Accruals and deferred income	459	348
	611	597

9. PROVISIONS

	EMPLOYERS NATIONAL INSURANCE ON SHARE OPTIONS 2020 £'000
BALANCE AT 30 APRIL 2020	(994)
Provision created in the year	(2,217)
Use of the provision	292
Release in the year	-
BALANCE AT 30 APRIL 2021	(2,919)

10. SHARE CAPITAL & 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.

ITM POWER
Energy Storage | Clean Fuel

ITM POWER PLC

ANNUAL REPORT

FOR THE YEAR ENDED 30 APRIL 2021

Company Registration Number: 05059407

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