



ITM POWER

Leaders in green hydrogen

Annual Report and
Accounts 2022

Welcome

ITM Power manufactures integrated hydrogen energy solutions to enhance the utilisation of renewable energy that would otherwise be wasted.

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FY22 Highlights

Green hydrogen will help lead the world towards decarbonisation.

755 MW

Order backlog for our products
(2021: 421 MW)

£(39.8)m

Adjusted EBITDA
(2021: £(21.4) million)

£5.6m

Revenue
(2021: £4.3 million)

£366m

Net cash
(2021: £176 million)

£1.4m

Core product research spend, with a further £7.0 million on development (2021: £3.5 million and £1.5 million respectively)

388

Employees at year end

£4.1m

Capital expenditure invested in the year

50%

Reduction in RIDDOR incidents per employee in the last year (number of RIDDOR incidents: 2022: 1; 2021: 1)

Strategic Report



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Investment Case

An attractive market

Net zero is the internationally agreed goal for mitigating global warming by 2050. Geopolitical uncertainty has accelerated the need for both energy and food security. Electrolysers, when coupled with renewable power are the only vehicle through which green hydrogen can be produced.

Well capitalised

We raised £250 million in November 2021 and at our year end we had £365 million of net cash on the balance sheet. This capital will enable us to invest to meet what we expect to be significant demand for our electrolysers over coming years as the race to decarbonise accelerates.

ITM Power Service

Today we provide 24/7 support from our control centre at Bessemer Park. Collection and collation of performance information and data enables a virtuous circle of reliability, availability and maintenance outcomes which in turn provides value to and enhances the relationship with our customers.

A portfolio of products

We produce three core products. Plug & Play contains everything needed for small scale green hydrogen production; all a customer needs to do is connect water and power. For larger projects we produce a range of stacks, which can be modularised to provide scale to larger projects.

Scalability

Our factory at Bessemer Park, Sheffield is one of the largest electrolyser manufacturing facilities in the world. By early 2023, capacity will be around 700 MW and future capacity will be increased to 1.5 GW. The remodelling at Bessemer Park includes process and equipment enhancements, all of which feed into a blueprint for future factory openings.

EPC through ILE

Engineering, Procurement and Construction (EPC) is a vital component of the hydrogen value chain. Through our joint venture with Linde, ITM Linde Electrolysis GmbH (ILE), we have access to unrivalled knowledge and skills which de-risks the design and build out of projects, in particular, larger projects.

Reference plant

We have been manufacturing electrolysis equipment for many years and have deployed plant across the world. Learnings, both by ourselves and our customers, enhance and improve the future development and deployment of our electrolysers.

Partnerships

Our partnerships with companies such as Shell, Linde and ScottishPower have evolved over many years. These partnerships confirm our leading technologies and capabilities. As the green hydrogen value chain aligns, we would expect further partnerships to manifest.

Our people

People do not join ITM Power just for a job, they join because they are passionate about our vision and they are determined to help us make an everlasting difference to the planet. We have a highly skilled team working at the cutting edge of technology.



Case study

REFHYNE

The REFHYNE 10MW first-of-a-kind installation and commissioning saw ITM Power develop a 2 MW stack module based on the Company's MEP stack platform and then demonstrate scalability by integrating five modules to achieve the 10 MW nameplate capacity.

The performance data show that REFHYNE I:

- Achieved market-leading current density of 3.0A/cm² (EU 2020 target of 2.2A/cm²)
- Achieved stack efficiency of 52.63kWh/kg at 2.2A/cm² (EU 2020 target of 55kWh/kg)
- Achieved FCH2 efficiency target of 52kWh/kg over ~70% of operational range
- Can project an average stack efficiency of 49.34kWh/kg at 50% load (in dynamic operation)

Responding to the data, Dr Graham Cooley, CEO of ITM Power, said: “REFHYNE I is demonstrating the robust performance and efficiency that we and partner Shell expected. The data represent an endorsement of our technology road map and delivers confidence that we can scale up our products to address the next generation of projects in the hundreds of megawatts.

“Not only has this project met or exceeded almost all of the EU 2020 targets – those applying when the first phase of REFHYNE was designed and commissioned – but it has in two key measures achieved or surpassed the newer EU targets for 2024 by demonstrating current density of 3.0A/cm² which meets the EU target for 2024 and stack efficiency for current densities up to 2.2A/cm² which exceeds the EU target for 2024.

“This is a fantastic achievement by the REFHYNE team here in the UK, in Germany and in Norway and I congratulate them all.”

This project has received funding from the Fuel Cells and Hydrogen 2 Joint Undertaking (now Clean Hydrogen Partnership) under grant agreement No 779579. This Joint Undertaking receives support from the European Union's Horizon 2020 research and innovation programme, Hydrogen Europe and Hydrogen Europe research.

Statement from the Chair of the Board

The case for green hydrogen produced by electrolysis strengthened significantly over the last year.



The macro picture

The case for green hydrogen produced by electrolysis strengthened significantly over the last year. In addition to global initiatives and commitments to address climate change, the role of green hydrogen to address energy security and price volatility has moved up the global political agenda. The events in Ukraine, and the subsequent sanctions on Russia have created price spikes in hydrocarbons and in fertilisers. The cost of green hydrogen in many parts of the world is now at parity with the cost of grey hydrogen, which together with the increased desire for energy security and independence, should accelerate the replacement of grey hydrogen by green hydrogen, the only net zero gas, whilst at the same time, reducing energy cost volatility.

Geopolitical developments have resulted in a further increase in demand for large scale electrolysis projects to produce green hydrogen. The Board believes that the twin drivers of achieving net zero targets and the increasing need for energy and food security represent endorsements of our strategy to increase production capacity.

Scaling for the future

In November 2021, we raised £250 million to expand our manufacturing capacity to 5 GW by 2024, to develop our core products and to accelerate our technology capabilities and to continue investment in organisational development as we scale towards global manufacturing. Just like the energy industry, ITM Power is going through a transition which includes changes to our internal processes and procedures, which are being enabled by the recruitment of many highly skilled and experienced people who will enhance our competencies and capabilities across all areas of the Group.

Our ambitions today remain as strong as ever but after careful consideration we have taken the important decision to review our manufacturing strategy. This has been brought into even sharper relief by current geopolitical instability, high inflation and economic uncertainty.

We have decided to redefine the timing of the expansion of our capacity. While it remains our aspiration, we recognise that given cost escalation, supply constraints, and time delays it might not be possible to reach 5 GW by the end of 2024. Capital discipline has to be at the heart of every investment decision we make and having an explicit capacity target by a defined date could lead us to capital investment decisions that are not right for our business.

For the same reasons, we have looked again at our plans to build a second factory in the UK, at Aviation Park, and have decided that the timing is not right to proceed with this in the immediate future. Instead, capacity at Bessemer Park will be rapidly expanded, with around 700 MW of capacity available by early 2023, followed by further early expansion of up to a total capacity of 1.5 GW, which can be achieved by around eight months after the time the expansion decision is made. We believe this is a much more efficient use of capital, and a more realistic near-term plan. The CEO's Review, which follows, sets this out in a little more detail.

Statement from the Chair of the Board continued

Our products

Our technology continues to develop. Our latest stack platform, MEP 2.0, increases pressure, efficiency and output. This technology will be showcased for the first time through the 24 MW Leuna project. Unfortunately, delivery of this project has been delayed due to a number of factors, including supply chain constraints, changes to Leuna's site requirements, and both manufacturing and testing delays. Delays are to some extent understandable given we are delivering a first-of-a-kind product into a commercial project. The impact this had on our results is discussed in more detail in the CFO's Review.

Our product range will continue to develop and Linde announced at its Green Hydrogen webinar in July 2022 the development of a larger system module. This has been jointly designed and will enable five MEP 2.0 stack skids to be integrated into a single module that can be deployed into large projects.

We have also been awarded a contract by The Department for Business, Energy and Industrial Strategy (BEIS), under its Net Zero Innovation Portfolio Low Carbon Hydrogen Supply 2 Competition, to accelerate the commercial deployment of our next generation platform and its manufacture. This follows the publication of a report highlighting the progress made to date and describing the pathway to a final investment decision (FID) and commercial operation of a 100 MW scale electrolyser system powered by offshore wind in 2025.

Our people

We have continued to build our team and have been very fortunate to have attracted highly talented individuals in all departments. Today we employ over 430 people and have a growing apprentice scheme, which has proven to be a great success.

Dr Graham Cooley has decided to step aside from his position as CEO after 13 years in post, during which time he has led the Company through very significant growth and development. He will remain in position until a successor is appointed, and thereafter assume a senior strategic role in the Company, reporting to me and the new CEO. We wish to place on record our enormous gratitude and respect for his leadership over the years. We are delighted that we will continue to benefit from his immense experience and expertise in the hydrogen sector.

Tom Rae, the representative of J.C.B. Research, a significant shareholder in ITM Power, resigned as a Non-Executive Director in November 2021 following completion of the fundraise which resulted in J.C.B. Research's shareholding falling below the threshold giving it the right to appoint a Non-Executive Director. I'm sure I speak for the whole Board when I thank Tom for his contribution during his year as a Non-Executive Director.

I am delighted Denise Cockrem agreed to join us as a Non-Executive Director from 25 July 2022. She combines a strong history of knowledge and experience of accounting with valuable experience in the renewable energy sector. She will bring directly relevant skills to the governance and future development of the Company. I look forward to working with her.

Our partners


Our strategic partnerships should enable us to capture a material share of the global green hydrogen market as its growth further accelerates over the coming years. I look forward to updating shareholders on our progress for what should be another exciting year.

As always, I would like to end by thanking all of our stakeholders – staff, partners, shareholders and our communities – for their help, support and enthusiasm in helping us to create today's ITM Power, a recognised world leader in electrolysis technology and a creator of jobs and value in the UK. Here's to the future.

Sir Roger Bone

Chair of the Board

Chief Executive Officer's Review



During 2022, hydrogen has increasingly emerged as the core component of world governments' energy transition strategies.

Introduction

During 2022, hydrogen has increasingly emerged as a core component of world governments' energy transition strategies. Green hydrogen produced by electrolysis from renewable power is pivoting from demonstration and trial projects to intent and action as the world seeks to achieve increasingly legislated net zero targets.

This is a new market, with Proton Exchange Membrane (PEM) electrolysis at the cutting edge of the solutions to reach net zero. As such, we have continued to invest in technology development to address a market that demands performance and scale. In parallel, we have sought to increase manufacturing capacity as the technology is maturing. This dynamic has led to the need to manage the inherent uncertainty of rapid technology and production scale-up.

Due, in part, to the tragedy unfolding in Ukraine, governments are also now recognising that green hydrogen has a vital role to play in strengthening energy security, whilst at the same time, given the role that methane plays in the food value chain, the need to improve food security has also risen high on the agenda with increasing demand for green ammonia to produce fertilisers. Investment in renewables is also accelerating as governments around the world target an increasing share of renewables in their energy mix. These factors are combining to accelerate the demand for electrolyzers.

However, in the short term, and across Europe for example, large projects are being delayed due to a lack of FIDs. A number of the EU's 'important projects of common European interest' (IPCEIs) in the hydrogen sector fall into this large project category and whilst EU funding is available for such projects, until factors such as subsidies and incentive schemes are announced, there remains a risk of further FID delays.

Performance

We were disappointed that the revenue from the Leuna project was not recognised in the year, being delayed into the next financial year. However, the lessons learned from building this latest generation of electrolysis equipment will ensure that our future competencies and capabilities are enhanced. Our gross loss also widened in the year reflecting increased costs on committed contracts, much of which was associated with first-of-a-kind plant or technology improvement. We have also not yet fully realised the benefit of our decision to stop undertaking EPC work. More widely, the lessons learned include the need to consider carefully introducing any technology development on the critical path of projects, and as such we will focus in future on selling validated products, which we see as world-leading. The focus on recruiting staff to support delivery has resulted in overheads staying broadly consistent with the prior year, with the increase in staff being deployed either to delivery (cost of sales) or future value creation (product development). Further details are discussed in the CFO's Review.

Chief Executive Officer’s Review continued

The market for green hydrogen

The green hydrogen market has been propelled onto centre stage of the global energy market with the unfortunate events in Ukraine. Nations around the world are taking action to shift away from expensive and scarce methane as soon as possible. This is underlined by the recent REPowerEU energy security plan which aims to transform Europe’s energy system. The measures in the plan set a target of 10 million tonnes per annum of domestic renewable hydrogen production and 10 million tonnes per annum of imports by 2030 to replace methane, coal and oil in hard-to-decarbonise industries and transport sectors. The 20 million tonnes per annum total is equivalent to 200 GW of electrolysis by 2030.

In the UK, the Government has also responded by doubling its initial 5 GW of blue and green hydrogen target to 10 GW of low-carbon hydrogen, of which a minimum of 5 GW will be green hydrogen. This is good news for the UK as it looks to bolster energy security, energy storage and sustainability, and good news for ITM Power with our technology leadership in PEM electrolysis.

The US House of Representatives has recently approved the Inflation Reduction Act of 2022 (US IRA), a \$369 billion package dedicated to decarbonise the United States. The bill will provide incentives for clean energy technologies with tax incentives being the primary mechanism, which should add long-term certainty to clean energy markets, thereby attracting significant investment. A tax credit for ‘qualified green hydrogen’ would pay up to \$3 per kilogram depending on the levels of life cycle emissions and staff wages. This will have the effect of improving the viability of a significant number of projects in the US, thereby accelerating demand for green hydrogen products.

Across the world, more and more countries have announced hydrogen strategies. According to Bloomberg New Energy Finance, the 30 countries that have now announced hydrogen strategies plan to build a total of 73.8 GW of electrolyzers by 2030.

The largest industrial users of grey hydrogen are the oil refining and fertiliser sectors, accounting for upwards of 70 million tonnes consumed per annum. With our 24 MW system deploying to Leuna Energy Park (refining), and this system being replicated for deployment at the Norwegian Yara Porsgrunn plant (ammonia), we are at the forefront of the move to decarbonise the most intensive users of industrial hydrogen. These two projects will form key reference plants for further large-scale projects in these sectors globally.

Backlog and pipeline

	September 2022 MW	September 2021 MW	% change
Work in progress ¹	77	43	79
Contracts backlog ²	755	421	79

- 1. Work in progress, contracted backlog.
- 2. Contracts backlog, contracted backlog and contracts in the final stages of negotiation and preferred supplier backlog.

As at 1 June 2022, we had a record backlog of 755 MW, a year-on-year increase of 160%. New orders in the year included the sale of a 2 MW electrolyser (increased from the original 1.4 MW sale) to Sumitomo, a strategic partner, for Tokyo Gas, our first deployment in Japan.

In October 2021, we announced that the REFHYNE II consortium had been awarded a grant of €32.4 million by CINEA (the European Climate, Infrastructure and Environment Executive Agency) for the development of a 100 MW electrolyser to be sited at Shell’s Energy and Chemicals Park, Rheinland and which will be used to produce sustainable aviation fuel. REFHYNE II is the follow-on project to the successful 10 MW REFHYNE I project, Europe’s largest PEM hydrogen electrolyser, which began operations in July 2022. ITM is a key member of the 100 MW REFHYNE II consortium, and the project will see an engineering design phase which will be followed by a FID expected in late 2022 with delivery then scheduled for 2024.



In November 2021, the Green Hydrogen for Scotland Consortium, of which we are a member, received UK Government funding to support investment for the first phase of development for ScottishPower’s 20 MW Whitelee Windfarm hydrogen production and storage facility. Also in November, we announced a 12 MW electrolyser sale, however the location and customer identity are restricted due to commercial sensitivities.

This was followed in January 2022 by our first project in the key ammonia market, the world’s largest consumer of hydrogen, with the sale of a 24 MW electrolyser to Linde Engineering to be installed at the Porsgrunn site operated by Yara, about 140 kilometres southwest of Oslo. The site covers an area of approximately 1.5 square kilometres and is the largest industrial site in Norway. The Porsgrunn site produces three million tonnes of fertiliser per year and is one of Norway’s largest sources of CO₂ emissions outside the oil and gas industry, emitting around 800,000 tonnes per year. The electrolysis plant will provide enough hydrogen to produce 20,500 tonnes of ammonia per year, which can be converted to between 60,000 and 80,000 tonnes of green fertiliser. The hydrogen required for ammonia production is currently produced from steam methane reforming (SMR). Yara intends to start replacing this grey hydrogen with green hydrogen. The 24 MW system supplying 10,368 kilograms per day of hydrogen will account for approximately 5% of the plant’s consumption and serve as a feasibility study for future upscaling.

Chief Executive Officer's Review continued

Also in January 2022, we were pleased to announce that our wholly-owned subsidiary, ITM Power GmbH, had been approved for a €1.95 million (approximately £1.6 million) award for the SINEWAVE project, as part of the German Federal Ministry of Education and Research's (BMBF) hydrogen flagship project H2Giga that focuses on technology development for series production and industrialisation of electrolysis systems. The project runs to March 2025 and is the first time we have accessed German federal funding. In our trading update in June, we announced that this project will support the development of ITM Power Service, an aftermarket focused customer support business based in Germany designed to provide full product life cycle support of deployed electrolyser systems.

All of our existing aftermarket operations, including the Group's 24/7 UK Remote Support Centre will be merged into one focused organisation with new headquarters in Linden, ideally located in Hessen, which is a recognised transit state within Germany with excellent motorway links and local infrastructure. The facility will house spare parts, including core PEM stack technology, to ensure high service levels and rapid deployment capability to systems in Europe. The organisation will be led by Philip Wilson as Technical Director and Calum McConnell as Commercial Director, both long-term ITM Power staff members.

In May 2022, RWE announced that it will be using an ITM Power 4 MW electrolyser, made up of two of our 3MEP Cube products, as part of a pilot project at their Lingen facility. This pilot forms part of RWE's Growing Green strategy announced in November 2021, which plans to create 2 GW of green hydrogen capacity by 2030.

Production capacity strategy

As the Statement from the Chair of the Board reports, we have decided to amend our ambitions for the timing of our target to have 5 GW of production capacity and have reviewed our plans to open a second UK factory at Aviation Park.

Our ambitions are as strong as they have ever been, the outlook for the green hydrogen economy has never looked better and as such these decisions have not been taken lightly. In the case of the 5 GW target, we need to be nimble and flexible, and we want to ensure investment decisions are correct and right for the business and considered fully before capital is committed.

With regard to Aviation Park, the current business climate and cost escalation have caused us to review our original plans. We believe in the near-term that extending the total capacity at Bessemer Park up to 1.5 GW is a better use of capital with commensurately improved near-medium term cash flows.

Available annual capacity at Bessemer Park will be ramped up to around 700 MW over the next six months. The factory has been reconfigured such that the final part of the expansion, to 1.5 GW, is planned to be achieved within the next two financial years but could be accelerated to within eight months from the time we take the expansion decision.

Capital investment at Bessemer Park, which is a leasehold site, has totalled circa £16 million to 30 April 2022. Over the next two financial years, we expect further investment of around £13 million, which will take us up to 1.5 GW of annual capacity. Many of our manufacturing processes have been reengineered and we will continue to introduce more automation, particularly around the core stack product to improve consistency and reduce waste. Finally, we are working to identify new testing facilities to allow product testing and future product validation work to be significantly upscaled.

Technology

Our technology roadmap is focused on increasing efficiency, reducing cost (both operational expenditure and capital expenditure) and expanding production capacity of our electrolyser products. Product development at ITM Power is continual and includes, amongst others things, increased current density, improved membrane materials, ultra-low catalyst loadings, in-house component preparation and the adoption of automated assembly.

We have applied technology improvements to the next generation of 2 MW stack modules, internally known as MEP 2.0, which are being deployed in the 24 MW electrolyser for the Leuna Chemical Complex in Germany and thereafter at the Porsgrunn site operated by Yara. This latest generation of 2 MW stack modules represents a step change in performance with a 10% improvement in efficiency and a 50% increase in operating pressure to 30 bar, reducing both electrolyser operating cost and energy consumption associated with downstream hydrogen compression.

Recently, Linde announced the development of a larger system module, which has been designed in partnership with ITM Power. This will use MEP 2.0 stacks, configured into skids of three stacks and then packaged as a five-skid module thereby creating a 10 MW electrolyser module. The 10 MW modules will then be deployed in multiple batches for large projects.

Chief Executive Officer's Review continued

Development of our next generation platform commenced in 2019 with the completion of a feasibility study funded by the BEIS Hydrogen Supply Competition. This was followed by a second phase, also funded by the BEIS Hydrogen Supply Competition, and covered two streams: a Front End Engineering Design (FEED) study for a 100 MW deployment at Phillips66 and Ørsted and the development and validation of our 5 MW stack platform. This phase concluded during the year with visits from project partners Phillips66, Ørsted and Element Energy, along with the UK Energy Minister and BEIS officials, to Bessemer Park when we presented our findings and showcased the first test station and prototype stack.

Shortly after the year end, we announced the award of a contract by BEIS, under its Net Zero Innovation Portfolio Low Carbon Hydrogen Supply 2 Competition, to accelerate the commercial deployment of our next generation platform and its manufacture. The award for the project was for £9.3 million.

The development and testing programme for our next generation platform includes both component level and full-scale evaluation and will remain ongoing as part of our technology roadmap and continuous improvement of our product suite. This platform is larger than our state-of-the-art MEP system and it will undergo rigorous testing in representative conditions to validate the performance through real-world conditions, ensuring the technology is ready for large-scale commercialisation.

Motive

In March, a strategic partnership agreement was made with Vitol for wholly-owned subsidiary ITM Motive Limited (now Motive Fuels Limited), trading as Motive, to become a 50/50 joint venture between ITM Power and Vitol.

Vitol is a leader in the energy sector with a presence across the spectrum: from oil through to gas, power, renewables and carbon. Vitol will invest up to £30 million, which will be matched by a similar investment from ITM Power. Motive owns all UK public hydrogen refuelling stations constructed by ITM Power. It was set up as a Group division in 2020 and became a separate legal entity in May 2021. It operates with its own board, comprising three directors from ITM Power and three from Vitol.

As part of the transaction, Motive has entered into a framework agreement with ITM Power, under which Motive appoints ITM Power as its preferred supplier for up to 240 MW of electrolysis equipment to support Motive with the development and roll-out of new green hydrogen refuelling stations. Motive has also appointed Vitol as its preferred supplier for up to 240 MW of electricity demand, which will provide green power to the network of new refuelling stations.

Vitol shares Motive's belief that the market for hydrogen in transport is on the cusp of rapid expansion, supported by government incentives to accelerate transportation decarbonisation. This partnership will help facilitate the rapid scaling up of production, distribution and demand stimulation for hydrogen to transportation. Vitol is aligned with Motive's strategy to target the building of large refuelling stations for heavy duty vehicles, such as trucks and buses. Over the past 18 months, Motive has been working to develop deep relationships with a small number of blue-chip heavy goods users in the UK and aims to develop standard 4 MW sites around the UK.

Outlook

We are on the verge of a major energy and industrial step-change. I describe it as the fourth industrial revolution, one of interconnectivity and automation, powered by Net Zero, and ITM Power is playing a key role in supporting this revolution.

It has been a privilege to lead ITM Power through its transition from an R&D business to a world leading electrolyser manufacturing company. No CEO can remain in place indefinitely and now, as we seek to become a global manufacturing powerhouse, is a good time for me to step aside and hand over to someone with more experience in this area.

The whole team at ITM Power has been a pleasure to work with and I look forward to working with the new CEO and continuing my involvement with the Group.

Dr Graham Cooley
Chief Executive Officer

Chief Financial Officer's Review

2022 was another busy year for ITM Power, with manufacturing ramp up at Bessemer Park starting to pick up in the second half of the year.

Introduction

FY22 was another busy year for ITM Power, with manufacturing ramp up at Bessemer Park starting to pick up in the second half of the financial year. We also continued to work very closely with all strategic partners, especially our route to market for larger projects, Linde Engineering.

In November 2021, we completed a successful equity fundraise of net £243 million which was well supported and underpinned our strategy to scale manufacturing capacity, aligned with demand, in the medium term. In the near term, the fundraise has enabled us to invest in accelerating technological development and organisational capability, start to ramp up production capability, to enhance our lead times and competitive positioning. This in turn revealed pressure points within the supply chain and Bessemer Park manufacturing processes, which whilst in the process of being resolved has led to revenue recognition for certain projects, and most notably the 24 MW Leuna project, being deferred beyond the year end.

Shortly before the year end, in late March 2022, we also announced that we had concluded a strategic partnership agreement with Vitol for our wholly-owned subsidiary ITM Motive Limited (now Motive Fuels Limited), trading as Motive, to become a 50/50 joint venture owned between ITM Power and Vitol. Vitol will invest up to £30 million in the venture, which will be matched by a similar investment from ITM Power. This will allow us to focus on executing our current contracts and developing core competencies as a manufacturer, ready for growth as demand is realised. From now on, the Group will account for its 50% share of profits or losses from Motive, as it does with its 50% share of ILE.

Further information about the Board's consideration of the Motive joint venture is available in Our Stakeholders and Section 172(1) Statement on page 21.

Finally, we have continued to make significant investment in both the core technology and in the manufacturing site, Bessemer Park, as well as our people, during FY22 to support our future growth ambitions and retain our position as one of the world's leading PEM electrolyser manufacturers.

Key financials

A summary of the Group's key financials is set out in the table below:

<i>Year to 30 April</i>	2022 £m	2021 £m	2020 £m
Revenue	5.6	4.3	3.3
Gross loss	(23.5)	(6.5)	(5.8)
Pre-tax loss	(46.7)	(27.6)	(29.5)
Adjusted EBITDA ¹	(39.8)	(21.4)	(18.1)
Property, plant and equipment plus intangible assets	24.7	16.8	8.7
Inventory	24.3	3.9	3.3
Work-in-progress (WIP)	7.9	2.5	1.1
Net cash	365.9	176.1	39.9
Net assets	395.0	197.4	55.8

1. Adjusted EBITDA in a non-statutory measure. The calculation methodology is included below.

Chief Financial Officer's Review continued**Non-financial key performance indicators**

We also use the following non-financial performance indicators to consider our performance over time:

<i>Year to 30 April</i>	2022	2021	2020
MW in backlog	680	290	43
MW in WIP	75	43	14
MW output ¹	11	Not recorded	Not recorded

1. MW output has become a key metric considered during the year as the Group moved towards execution of more projects.

Financial performance**Revenue**

The principal ways in which we generate revenue and income are through product sales, consulting contracts (FEED and feasibility studies), maintenance contracts and grant funding.

Revenues of £5.6 million (FY21: £4.3 million) were generated in the year. Product revenue of £2.0 million (FY21: £1.7 million) related to delivery of two electrolyser products in Australia, as well as the progression of our REFHYNE I project for Shell. Consultancy revenue of £2.9 million (FY21: £2.1 million) predominantly stemmed from the design and proof of concept project commissioned by BEIS for the next generation stack platform.

Fuel sales during the year were £229,000 (FY21: £153,000) with the comparative period reflecting the effects of last year's lockdowns. Following the announced Motive joint venture with Vitol, the entity will be equity accounted for going forward.

We had expected to be able to recognise the revenue from the sale, via Linde, to Leuna of 24 MW of electrolyser modules, but revenue is now expected to be recognised in FY23. This delay was attributable to scale-up challenges presented by the deployment of our MEP 2.0 technology, coupled with some local supply chain constraints. In collaboration with Linde, the delivery method for the modules was amended. As such, under accounting standard IFRS 15 Revenue from Contracts with Customers, the product will remain in WIP until later in the product delivery cycle, when the product is transferred to the customer.

The Group generated a gross loss of £23.5 million (FY21: £6.5 million loss). Gross loss was adversely affected by cost overruns on the REFHYNE I and Leuna projects. REFHYNE I is a project where we carried out all of the EPC, a role that is now carried out by Linde Engineering. The Leuna project is the first to use the latest MEP 2.0 generation technology. The lessons learned from both these first-of-a-kind projects have led to a sharper focus on validation timing, costings, and testing capability which we expect to improve as production of MEP 2.0 ramps up.

Losses

The adjusted EBITDA loss¹ was £39.8 million (FY21: £21.4 million). This was impacted by various factors: the loss at the gross margin level referred to above, as well as costs associated with production ramp up at Bessemer Park and the overhead increase, mostly as a result of recruitment of skills during the year, with an emphasis on manufacturing and delivery resource.

The loss before tax was £46.7 million (FY21: £27.6 million) and basic and diluted loss per share of 8.1p (FY21: loss of 5.5p per share).

Cash burn

Cash burn¹ increased to £53.3 million (FY21: £37.7 million). This was principally impacted by £7.0 million of product development associated with MEP 2.0 and GEP 1.0, a £25.8 million increase in WIP and inventory build, and £4.1 million for additional production equipment for the Bessemer Park factory.

1. Management uses the non-statutory measures adjusted EBITDA and cash burn to better reflect underlying performance. Cash burn is a non-statutory measure the directors use to monitor the Group, and is calculated by deducting from annual cash flow the effects of any equity fund raise after costs. Adjusted EBITDA is a primary measure used across the business to provide a consistent measure of trading performance. The adjustment to EBITDA removes certain non-cash items, such as share based payments, to provide a key metric to the users of the financial statements as it represents a useful milestone that is reflective of the performance of the business resulting from movements in revenue, gross margin and the cash costs of the business. We have set out below how we calculate adjusted EBITDA (see also Note 6 for more information).

	2022 £000	2021 £000
Loss from operations	(44,736)	(26,657)
Add back:		
Depreciation	2,340	2,321
Impairment	–	1,713
Amortisation	849	274
Loss on disposal	–	173
Fair value loss on loan notes	344	–
Share-based payment charge (Note 25)	1,429	799
Adjusted EBITDA	(39,774)	(21,377)

Financial position: positioned for the future

Current assets increased to £423.6 million (FY21: £205.5 million). This was principally as a result of the fundraise of £250 million in November 2021, which resulted in year-end cash of £365.9 million (FY21: £176.1 million), and an increase in inventories to £32.2 million (FY21: £6.4 million) as the Group stocked up on raw materials to deliver its order pipeline and saw WIP increase ahead of the delivery of the Leuna and other projects.

Trade and other receivables were £25.5 million (FY21: £23.0 million) including £10.3 million (FY21: £4.9 million) of prepayments to suppliers for long-lead time items required on the Group's build projects. Trade and other payables increased to £34.3 million (FY21: £12.9 million), driven by an increase of £10.5 million in deferred sales income principally from the Leuna project.

Fixed assets increased to £34.5 million (FY21: £23.6 million) reflecting a £2.1 million rise in property, plant and equipment and £5.8 million of additional intangible assets, with the rest from investments.

Chief Financial Officer's Review continued

Capitalised development costs increased significantly during the year, reflecting the Group's focus on launching updated or new core products: the MEP 2.0 and the GEP 1.0. In FY22, the Group capitalised £6.8 million of additional development costs (FY21: £1.5 million) resulting in total capitalised development and know-how costs at year end of £9.1 million (FY21: £3.2 million).

The Group also recognised an increase in both payables and provisions. Payables rose to £34.3 million (FY21: £12.9 million), reflecting an increase in trade payables of £7.5 million as the Group improved payment terms with suppliers, and an increase in deferred income, with sales contracts paid on milestones, reflecting in particular money on projects in flight, including Leuna.

Provisions increased in the year to £21.8 million (FY21: £12.3 million). Provisions for contract losses rose to £12.5 million, (FY21: £4.8 million). This was due to continuing support for REFHYNE I through site acceptance testing, and the Leuna project with an increased cost of parts and increased labour expectations to fulfil the contract. Additions to warranty provisions in the year of £2.2 million (2021: £0.2m) reflect both contract progress in the year and recognition that first-of-a-kind plant requires additional support in the field. We retain our long-term expectation that warranty costs will reduce below 3% of sales price for standard product, repeat sales.

Events after the balance sheet date

After the balance sheet date, the Group announced that ITM Power had been awarded a contract by BEIS, under its Net Zero Innovation Portfolio Low Carbon Hydrogen Supply 2 Competition to accelerate the commercial deployment of our next generation platform and its manufacture. The award for the project is for £9.3 million and follows initial designs developed through previous BEIS funding competitions. The award is expected to be spread over a three-year period and is also expected to be back-end loaded.

In addition, at the time of the trading update in June, we announced the development of ITM Power Service, an aftermarket focused customer support business based in Germany designed to provide full product life cycle support of deployed electrolyser systems. All existing aftermarket operations, including the Group's 24/7 UK Remote Support Centre, will be merged into one focused organisation with new headquarters in Linden in Germany.

In September 2022, we reviewed our plans to open a second UK factory at Aviation Park, given the current business climate and general cost escalation. Our ambitions remain as strong as ever, but we need to be nimble and flexible, and we want to ensure investment decisions are correct and right for the business and considered fully before capital is committed. In the near-term extending the total capacity at Bessemer Park up to 1.5 GW is a better use of capital with commensurately improved near-medium term cash flows.

In September 2022 Dr Graham Cooley decided to step aside from his position as CEO of the Company after 13 years in post. The Company has commenced a process to select a new CEO. Dr Cooley will remain in position until a successor is appointed, and thereafter assume a senior strategic role in the Company, reporting to the Chairman and the new CEO.

Outlook and current trading

We start the new financial year in a strong financial position and, whilst there are many operational changes being made within the Group, we expect good sales momentum, with further investment into our people, our processes and our assets. We also see the economic case for green hydrogen projects increasing, with the macro picture expected only to improve.

In summary we provide the following guidance for FY23:

- Product revenue in the range of £23-28 million
- MW delivered in the range 48-65 MW
- Adjusted EBITDA loss of £45-50 million
- Capital expenditure of £30-40 million, with a focus on development costs
- Working capital of £40-60 million
- Cash burn of £110-135 million

We have a contracted backlog of 77 MW which we expect to increase in the coming months as more projects reach their FID and become contracted. That said, with lead times stretching within many supply markets in FY22 as a result of macroeconomic conditions, the focus in the next financial year will be on delivering what is already contracted, with 60% to 80% of the MW in contracted work in progress expected to be recognised in FY23. We will also continue to utilise working capital to build products to stock, with 50 MW to 100 MW of core stack modules being built for products to be recognised in future years.

Continued investment in capability and capacity will see losses increase in the near term, with an improved position in the medium term. The cash on our balance sheet will enable us to grow capacity, initially through £10 million to £15 million further investment in Bessemer Park. Longer term, we will invest to increase capacity towards 5 GW to enable us to address the large demand we see in the future.

Andy Allen
Chief Financial Officer

Our Market



“Governments need to take rapid actions to lower the barriers that are holding low-carbon hydrogen back from faster growth, which will be important if the world is to have a chance of reaching net zero emissions by 2050.”

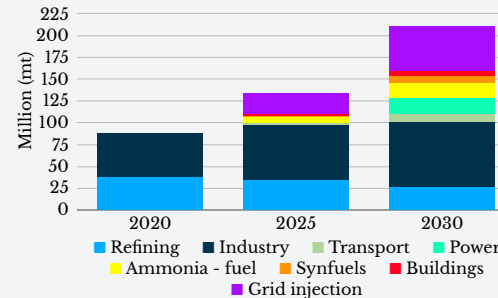
Fatih Birol
IEA Executive Director

To deliver on rapidly approaching net zero targets, the world needs to act fast, especially where the reduction of fossil fuels is concerned.

The continuing crisis in Ukraine has brought into fresh focus the pressing need to move as quickly as possible away from methane – which the United Nations Economic Commission for Europe states as having a 100-year global warming potential 28 to 34 times that of CO₂.

Hydrogen produced using methane as a feedstock plays a pivotal role in all oil refining and ammonia production. Combined, these two carbon intensive industries lay claim to almost 70 million tonnes of industrial hydrogen per annum, according to the International Energy Agency (IEA).

Global hydrogen demand by sector in the Net Zero Scenario, 2020-2030



Source: IEA, Global hydrogen demand by sector in the Net Zero Scenario, 2020-2030, IEA, Paris <https://www.iea.org/data-and-statistics/charts/global-hydrogen-demand-by-sector-in-the-net-zero-scenario-2020-2030>

This stark figure lays bare the reality of how fragile our food and energy security really are, given both are entirely dependent on grey, steam methane reformed hydrogen.

In response to the need to decarbonise, some have turned to blue hydrogen, where the CO₂ arising from its production (from hydrocarbons) is captured at the production facility and stored separately. However, blue hydrogen projects have been exposed as not being cost competitive, and that is before carbon pricing and carbon capture and storage (CCS) costs are added. In fact, blue hydrogen projects “are high risk and likely to become stranded assets” as soon as the end of this decade, while potentially adding to Europe’s gas crisis, according to the Institute for Energy Economics and Financial Analysis (IEEFA).

Governments around the world are experiencing the real-life impact that being beholden to carbon intensive natural gas undermines energy security. A scalable, sustainable, and fit for purpose alternative lies instead in turning renewable electrons into the only net zero molecule – green hydrogen.

Hydrogen sits increasingly at the heart of government strategy. While it could be argued that this has been the case for some time, the hydrogen value chain has thus far been dysfunctional. However, over recent months, there has been a step change in coordination and cooperation, which is critical to joining up the value chain. This is laying the vital bedrock needed to build a green hydrogen economy.

Our Market continued

UK market

In August 2021, we welcomed Kwasi Kwarteng, Secretary of State for Business, Energy and Industrial Strategy, to officially open our Sheffield-based factory, currently one of the world’s largest electrolyser production facilities. During his visit, Mr Kwarteng announced the first-ever UK Hydrogen Strategy, direct from our factory.

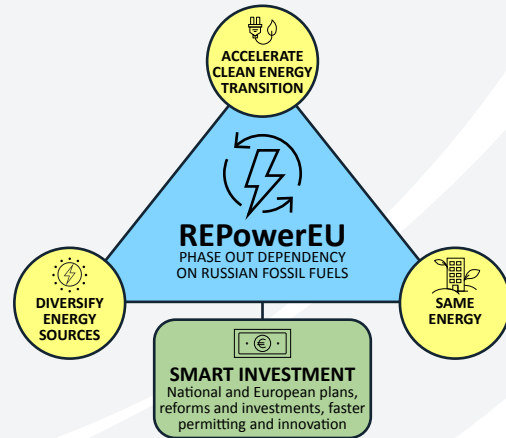
Due to the subsequent conflict in Ukraine and the knock-on effect on methane pricing, the UK Government has doubled its 2030 hydrogen production target to 10 GW. Crucially, green hydrogen will comprise a minimum of 5 GW of this target. With government backing and mounting evidence against pursuing blue hydrogen projects, it’s no exaggeration to say the future is green.



Kwasi Kwarteng, Secretary of State for Business, Energy, and Industrial Strategy, with Dr Graham Cooley, CEO of ITM Power

European market

In March 2022, the European Union announced its new energy security plan – REPowerEU. This plan builds on the 2020 EU Hydrogen Roadmap (2 x 40 GW plan), as well as the 2021 Fit for 55 decarbonisation plan. The new increased target is for circa 20 million tonnes per annum by 2030, which will require nearly 200 MW of electrolysis a year. This, coupled with the Delegated Acts, incentivises early deployment and puts makers of electrolysis equipment at the forefront of Europe’s shift to a low-carbon economy.



Global market

2021 was a record year in policy action and low-carbon hydrogen production, with governments around the world adopting hydrogen strategies. There are currently more than 75 green hydrogen plans from countries realising that they need to change, and change quickly.

There has been a number of reports mapping out future scenarios, the most well-known of which is the IEA report – Net Zero by 2050 – which states that 322 million tonnes of electrolytic hydrogen is needed by 2050. To put it another way, that’s 3,585 GW of electrolysis.

Since our factory was opened in 2021, we have hosted a number of delegates from governments around the world, keen to discover more about both green hydrogen and our electrolysers. This has included His Excellency Dr Mohamed Shaker, Egypt’s Minister of Electricity and Renewable Energy, ahead of the COP27 conference in Egypt later this year.



His Excellency Dr Mohamed Shaker, Egypt’s Minister of Electricity and Renewable Energy, touring our Sheffield factory

Net Zero

by 2050 3,585 GW of electrolysis needed

200 MW

of electrolysis needed per year for REPowerEU

Our Strategy

Our vision

We strive for a world that is free of fossil fuels, where we can all enjoy the benefits of a net zero society, and where everyone around the world can breathe clean air.

Our mission

Our three-pronged mission challenges us with building the best products the industry has to offer, inspiring our customers to implement change, and using our collective experience and knowledge to direct global policy to drive change.

Strategic pillars

We will achieve this through our five strategic pillars, set out here, which are:

- Delivered by our people
- Enabled by our business model
- Measured through our KPIs

1

Continual technology development

What this means

We understand that the overriding cost contributor to hydrogen is not the capital expenditure of a customer project, but more significantly the operating costs. It is important that we maintain a competitive advantage with the operating characteristics of the products as well as defining a technology roadmap for the future.

Achievements in the period

- Continuous development and improvement of MEP 2.0, which is a first-of-a-kind product and is being deployed at Leuna
- Showcased prototype of our next generation platform in September 2021

Since the year end and looking ahead

- Further efforts to achieve international certification for our products
- Adoption of Linde Gas standard requirements
- Full integration with the larger system module to unlock large-scale solutions via Linde Engineering
- Grant win in May 2022 to support commercial deployment of our next generation platform
- Design 2.0 of Plug and Play containers designed and introduced to the market

2

Scalable manufacturing

What this means

We recognise that we need appropriate capacity to scale the business as demand increases. This includes maximising Bessemer Park and introducing semi-automated and automated process to improve operations and delivery.

Achievements in the period

- Upgrade to power supply at Bessemer Park
- Moving many core stack processes in-house

Since the year end and looking ahead

- Further automation
- Redesign of elements of Bessemer Park to improve production flow
- International factory development

3

Strong partners and relationships

What this means

We have identified a number of strategic partners to scale our impact, industrial reach and market penetration.

In October 2019, we announced the completion of a £58.8 million fundraising, including an investment by Linde of £38 million, together with the formation of a joint venture to deliver renewable hydrogen to large-scale industrial projects worldwide.

In November 2020, we announced a partnership with Snam, one of the world's leading energy infrastructure operators.

Other partners include Shell, Vitol, Ørsted, and Sumitomo.

Achievements in the period

- New partnership with Vitol to co-invest into Motive
- Sale to Yara of 24 MW electrolyser system through Linde Engineering
- Shell Refhyne II contract signed

Since the year end and looking ahead

- Funding from BEIS for our next generation platform in May 2022
- Further business development
- Further partnership arrangements to deliver new technology, new territories and new factories
- Appointment of Tim Calver as Commercial Director to strengthen relationships

4

Develop ITM Power Service

What this means

We understand our commitment to our customers does not stop at the factory gates or installation.

We offer after sales support services, including preventative maintenance, immediate response packages, as well as 24/7 control room monitoring services, giving customers peace of mind that they are fully supported throughout the life cycle of the product.

We continue to develop recycling and refresh services for our products to support ours, and our customers', environmental, social and governance (ESG) ambitions, maximising the value of the components used.

Achievements in the period

- Developed support model with Optimal for Australia

Since the year end and looking ahead

- Rebrand of ITM Power GmbH to ITM Power Service
- Signed a new lease on a support hub, which will hold after sales spares and staff in Europe
- Completion of the Support hub in Europe
- Revenue streams to be built with long-term contracts

5

Expert knowledge

What this means

We recruit the best talent while seeking to retain key skills.

We also own and develop all our own processes, fully controlling the supply chain, inputs and processes to make a product that is truly unique and special to us.

Achievements in the period

- Around 200 new employees in the last 18 months
- Appointment of Martin Clay as Operations Director and Chris Yewdall as Projects Director
- Academy programme launched
- Apprenticeship programme launched

Since the year end and looking ahead

- Appointment of Denise Cockrem as a Non-Executive Director in July 2022
- Apprenticeship programme growth
- Appointment of Tim Calver as Commercial Director
- Equality, diversity and inclusion (EDI) programme

Our Business Model

Our unique position

History

ITM Power PLC was admitted to the AIM market of the London Stock Exchange in 2004.

Track record

We have been deploying electrolysers with long-term partners for over a decade and continue to break new ground. In January 2021, we received an order for the world's then largest PEM electrolyser system of 24 MW from Linde. In October 2021, with Linde, we announced the deployment of 100 MW of electrolyser modules at Shell's Rheinland refinery, following the start-up of an initial 10 MW facility at the sites.

Technology

MEP 2.0 operates under higher pressure, a higher current density and is more efficient than its predecessor.

The joint development with Linde of a larger system module will see five MEP 2.0 skids formed into a 10 MW module. The larger system

module will be able to be deployed into large projects.

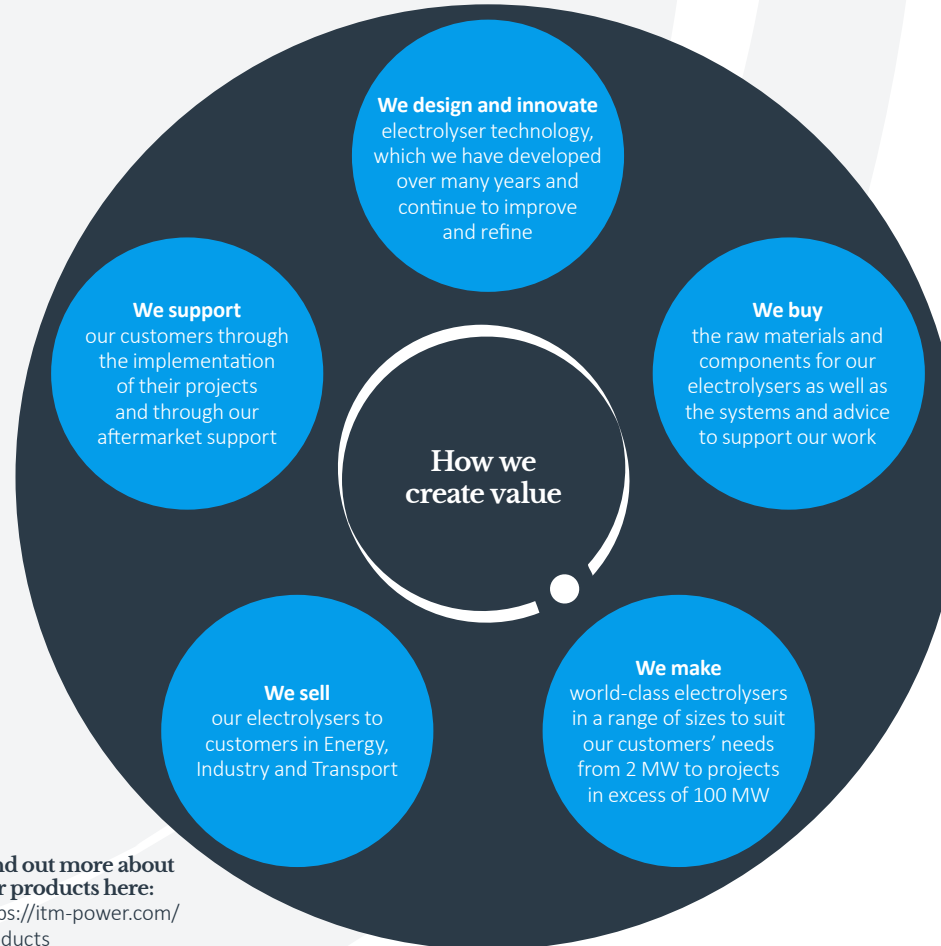
Development and testing of our next generation platform remains ongoing. The stack architecture has multiple competitive advantages including lower capital costs and a smaller system footprint. These advantages will enhance the stack's ability to operate under flexible conditions when coupled to renewable energy sources, producing green hydrogen at low cost.

Partnerships

Our position with ILE and Linde puts us in a powerful position to respond to large and extra-large demands, using three years of shared experience to address the requirements of customers.

Capacity

We recognise that customers need to invest in capability and as such we have built a factory in Sheffield with a capacity planned to reach 1.5 GW per annum.



→ **Find out more about our products here:**
<https://itm-power.com/products>

Creating value

Through our products, which respond to the need for a world that is free of fossil fuels, we will create value for shareholders, customers and wider stakeholders.

Helping the world reach net zero by 2050

- Our electrolysers, powered by renewable energy, produce green hydrogen – a clean, zero-emissions fuel
- Replacing grey hydrogen in the industrial sector – currently 70 million tonnes per annum globally

Championing sustainable power and guiding policy

- Helping develop regulations and standards – e.g. BSI Committee PVE/3/8, ISO Technical Committee 197, and British Compressed Gases Association (BCGA) Code of Practice 41

Supporting our community through the ITM Nurture social engagement programme

- Supporting local charities championed by employees – £15,604 contributed in FY22
- Sharing knowledge and understanding – including in schools and universities, as well as launching our apprenticeship programme for 2022

Our Stakeholders and Section 172(1) Statement

Our business model informs and drives discussions for both executives and the Board. It informs the resources and relationships required to execute our plan for growth.

We are driven by innovation and continuous improvement. Engaging with and learning from workforce, customer and other stakeholder feedback is an integral part of what we do and how we develop the business. We actively seek feedback to enable us to make improvements and changes to our products and processes.

To help the world reach net zero by 2050, we have to act beyond our own supply chain. We therefore participate actively in industry bodies that champion sustainable power and guide policy, as well as working with schools and universities to help inspire the next generation about green hydrogen.

Statement from the Board

During the year, the Board acted in good faith to promote the long-term success of ITM Power.

In accordance with the directors' duties set out in section 172 of the UK Companies Act 2006 (the Companies Act), the Board supervises the operation and development of ITM Power to maximise its equity value over the long term, without regard to the individual interests of any shareholder.

One of our Non-Executive Directors, Jürgen Nowicki, is appointed by a major shareholder of ITM Power (Linde). However, each of the Directors understands his or her responsibility under the Companies Act to act fairly as between members of the Company. We acknowledge that all of our decisions may affect ITM Power's shareholders through their impact on the future success of the business and confirm our due regard in this respect.

We recognise that to deliver our strategy in a sustainable way, we must consider the commercial, social and environmental impacts of our business. During the year, we have monitored, assessed and challenged ITM Power's progress against the annual business plan and targets. Targets include both financial and non-financial metrics, including ESG metrics.

When taking decisions of strategic importance, we endeavour to balance the interests of our stakeholders in ways that are compatible with ITM Power's long-term, sustainable growth. The Board gains stakeholder perspectives to inform its decision making through direct engagement where feasible, but the number and distribution of ITM Power's stakeholders means that stakeholder engagement often takes place at an operational level. Where this is the case, the Board receives insights on stakeholder views through communication with senior management and regular reporting.

The key stakeholder groups we have identified are those that have significant interactions with our business model and that we impact in the course of our business operations. The relevance of each stakeholder group may vary depending on the particular decision being taken. The Board has to balance different, and sometimes competing, perspectives meaning it is not always possible to satisfy everyone's desired outcome or achieve a positive outcome for all stakeholders.

Ensuring our business operates responsibly is fundamental to our long-term success. The Board oversees a corporate governance framework that enables the right people to take the right decisions at the right time.

On the next two pages, we have provided further details of how the Board approached two key strategic decisions during the year: the capital raise in November 2021 and the Motive joint venture with Vitol.

Our Stakeholders and Section 172(1) Statement continued

You can read more about key aspects of section 172 considerations as follows:

Section 172 factor	Relevant disclosures
The likely consequences of any decision in the long term	<ul style="list-style-type: none"> – Our vision and mission on page 17 – Our Strategy and Our Business Model on pages 17 to 18 – CEO’s Review and CFO’s Review on pages 8 to 14
The interests of the Company’s employees	<ul style="list-style-type: none"> – Stakeholder engagement: Workforce on page 22 – Sustainable Energy, Engineered Sustainably: Our workforce on pages 28 to 29 – Principle 3 at https://itm-power.com/investors/corporate-governance – https://itm-power.com/careers – ESG Report 2022: Our social impact at https://itm-power.com/investors/financial-reports
The need to foster business relationships with suppliers, customers and others	<ul style="list-style-type: none"> – Stakeholder engagement: Customers and potential customers on page 22 – Principle 3 at https://itm-power.com/investors/corporate-governance – Business Partner Code of Conduct at https://itm-power.com/sustainability
The impact of the Company’s operations on the community and the environment	<ul style="list-style-type: none"> – Stakeholder engagement: Local communities on page 23 – Sustainable Energy, Engineered Sustainably: Climate change on pages 26 to 27 – Principle 3 at https://itm-power.com/investors/corporate-governance – ESG Report 2022: Our environmental impact and Our social impact at https://itm-power.com/investors/financial-reports
The desirability of the Company maintaining a reputation for high standards of business conduct	<ul style="list-style-type: none"> – Sustainable Energy, Engineered Sustainably: Business ethics on page 29 – Code of Ethics at https://itm-power.com/sustainability – Principle 8 at https://itm-power.com/investors/corporate-governance – ESG Report 2022: Our governance at https://itm-power.com/investors/financial-reports
The need to act fairly as between members of the Company	<ul style="list-style-type: none"> – Stakeholder engagement: Investors on page 21 – How the Board approached two key strategic decisions during the year on pages 20 and 21 – Principle 2 at https://itm-power.com/investors/corporate-governance

Capital raise

Context

We saw a significant acceleration in demand for large-scale green hydrogen projects in support of national hydrogen strategies. To capitalise on our market leadership, the Board decided to carry out a non-pre-emptive placing of Company shares. The intention was to raise total proceeds of approximately £250 million (before expenses), with the net proceeds used principally to enable an acceleration of our technology capabilities and to expand our manufacturing capacity, as well as supporting organisational development.

Consideration of section 172 impacts: key stakeholder groups relevant to and affected by the decision

Investors

We met with both new and existing investors to present the business case for rapid expansion of technology and manufacturing capabilities. We were keen to ensure an appropriate price was achieved in the funding round to attract new investors while avoiding excessive dilution of existing and long-term shareholders. We also considered whether an open offer would be possible to allow retail shareholders to participate. Ultimately, we decided this was not possible due to the timing of the transaction.

Workforce

£45 million was earmarked for application towards the continued organisation and corporate development to further enhance our management infrastructure and the expansion of after sales support and training capability.

Strategic partners

Our strategic partnerships, particularly with Linde, provide us with the EPC expertise necessary to deliver large scale projects in overseas markets. As well as being a strategic partner, Linde is also our largest shareholder, and subscribed for £20 million of shares as part of the capital raise.

Customers and potential customers

Capital was raised with a view to significantly scaling up and expanding our operations to take advantage of forecast exponential demand growth in the global electrolyser market. This would build on the customer relationships we have across multiple global markets. We are also investing to drive down manufacturing costs, aiming to offer cost-effective hydrogen solutions at scale.

Suppliers

We allocated £50 million to fund technology initiatives, including Platinum Group Metal (PGM) supply chain optimisation.

Our Stakeholders and Section 172(1) Statement continued**Motive
Context**

We believe the market for hydrogen in transport is on the cusp of rapid expansion, supported by government incentives to accelerate transportation decarbonisation. We sought a partner to help facilitate the rapid scaling up of production, distribution and demand stimulation for hydrogen to transportation. Vitol was identified as the chosen joint venture partner for Motive. Both ITM Power and Vitol will invest up to £30m in the venture. Motive appointed ITM Power as its preferred supplier for up to 240 MW of electrolysis equipment and Vitol as its preferred supplier for up to 240 MW of electricity demand.

**Consideration of section 172 impacts: key stakeholder groups relevant to and affected by the decision
Investors**

In the final quarter of the 2020 calendar year, we announced our intention to fund Motive by gearing up to £30 million of investment with both partnership and government funding. We then looked for the optimum partner. In Vitol we identified a partner with a shared view of the market and with complementary skills and capabilities. We see a route to creating greater value for our investors through the joint venture that has been created through Vitol's ability to support at scale.

Workforce

During the period of transitioning Motive to the joint venture, we kept employees informed as appropriate and consulted on the impact of the proposed changes. This included a benchmarking exercise, ensuring equivalence of incentives in future, as well as ensuring they had the support and awareness to make the transition successful. Our support has continued after completion of the transaction, with our nominated directors of Motive attending a town hall day with the whole workforce to ensure open and transparent communication.

Strategic partners

We sought a strategic partner who could help facilitate the rapid scaling up of production, distribution and demand stimulation for hydrogen use in transportation. Both existing and new strategic partners were considered against this ambition. It was concluded that Vitol, a leader in the energy sector with a presence across the spectrum – from oil through to gas, power, renewables and carbon – presented a good solution.

Customers and potential customers

Motive's strategy is to target building large refuelling stations for heavy duty vehicles, such as trucks and buses. Over the past 18 months, Motive has been working to develop deep relationships with a small number of blue-chip heavy goods users in the UK and aims to develop standard 4 MW sites around the UK.

Investors

Investors provide the equity capital for our business.

They hold management and the Board to account, on operational/commercial performance, financial performance and key environmental, social and governance (ESG) matters.

How we engage:

- Led by the CEO, supported by the Investor Relations team – available to meet current and potential shareholders
- Board kept apprised of the views of analysts by the CEO (an update at every regular Board meeting) and CFO
- Shareholder communication coordinated by the Investor Relations team with the Company Secretary, the Company's nominated advisor (NOMAD), Investec, and corporate communications consultants, Tavistock Communications
- Regular meetings with and presentations to fund managers, retail brokers and analysts
- Price sensitive information shared through London Stock Exchange's Regulatory News Service
- Shareholders can attend our Annual General Meeting (AGM) and any Extraordinary General Meeting (EGM), which Board members attend
- Report to institutional shareholders twice a year through roadshows aligned with the full and half year reports and webinars to coincide with the release of trading updates

Action taken:

- To accommodate restrictions and preferences as a result of COVID-19, we provided virtual access to our 2021 AGM and EGM
- We conducted online investor events in response to COVID-19 and intend to continue this as it enabled much broader engagement
- We have engaged with some of the larger investors who have dedicated ESG teams to aid their understanding of us and obtain their views on our approach to ESG

**Further reading:**

- See the Remuneration Report on page 56 for details of how the Remuneration Committee responded to feedback about the 2021 Remuneration Report

Our Stakeholders and Section 172(1) Statement continued

Workforce

Our workforce makes, sells and supports our products. It also develops our products to maintain our market-leading edge.

It includes employees, contractors and consultants.

How we engage:

- Workforce informed of matters affecting it directly and on the various factors affecting the performance of the Group through formal and informal meetings
- Work with nominated employee representatives to ensure appropriate consultation and information flows on proposed changes to terms and conditions
- Open-door leadership culture where directors and senior managers welcome feedback and the opportunity to discuss business improvement
- Specific employee groups set up to address particular areas, such as the Health and Safety Committee and Women in ITM Power
- Conduct engagement and wellbeing surveys, the results of which are shared with the Board
- Recognising outstanding contributions through peer-to-peer nominations and support from the CEO
- Regular reporting of key workforce performance indicators to the Board

Action taken:

- Remit of the ITM Academy agreed
- Regular town hall meetings with employees providing further opportunities for the workforce to ask questions and to celebrate success
- Reviewed and benchmarked employee remuneration to ensure we are competitive in the market and now a Real Living Wage employer
- Developing the collection and analysis of data about our workforce to improve our engagement and understanding, such as employee turnover and leaver reasons; EDI information
- Ran mental health workshops to build awareness in, and signpost support for, our workforce
- Launched our values, which guide how we work and align with our vision and mission; they underpin our recruitment processes, shape our leadership and development programmes and form part of our performance and development review process



Further reading:

- See more information about what we do for our workforce in Sustainable Energy, Engineered Sustainably on pages 28 to 29
- See our values on page 28
- See our ESG Report 2022 for more information about working at ITM Power

Strategic partners

We have identified a number of strategic partners to scale our impact, industrial reach, and market penetration.

Include Linde, Shell, Snam and Vitol, among others.

How we engage:

- Regular meetings with our strategic partners' senior managers
- Formal meetings of joint venture boards: ILE with Linde, and Motive with Vitol
- Input from Linde and Snam through the Strategic Advisory Committee and Technology Management Committee, which report to the Board
- Secondments of staff from strategic partners to ITM Power
- Jürgen Nowicki appointed as the Linde-nominated Non-Executive Director

Action taken:

- Entered into a joint venture with Vitol in relation to Motive
- Two sales conferences conducted with Linde

Customers and potential customers

Customers buy our products, directly or indirectly.

Potential customers offer a pipeline of opportunities to sell our products.

How we engage:

- Assigned a key contact (ongoing support) and a project manager (specific project delivery)
- Email feedback reporting system for customers
- Support centre in Sheffield and a 24/7 support service
- Motive customers also benefit from an app providing locations and availability of refuelling stations
- Communications about our activities and industry news issued to a significant database of contacts
- Information provided via our website
- Participate in webinars and presentations and in many industry events every year
- Our joint ventures, ILE and Motive, also have their own websites and key account managers assigned to them
- Updates on customer projects provided to the Board

Action taken:

- Customer feedback is built into our lessons learnt process within our quality system
- Hosted a regional roadshow on the COP26 Science and Innovation day, with attendees including business leaders and industry figures



Further reading:

- See our website for information about:
 - Our electrolysers and how they work: <https://itm-power.com/products>
 - Markets we serve: <https://itm-power.com/markets>

Our Stakeholders and Section 172(1) Statement continued**Suppliers**

Suppliers provide us with a wide range of commodities and services such as PGMs, components, power supply units, capital equipment, renewable energy, buildings, information technology, telecommunications and professional advice.

How we engage:

- Seek to establish and maintain long-term relationships with our suppliers
- Work closely with our suppliers in the deployment of all projects and provide them with assistance to improve their adherence to our standards of quality and ethics
- Due diligence, approval and control programme for suppliers
- Require suppliers to comply with our Business Partner Code of Conduct, which covers:
 - Business integrity
 - Health, safety and security
 - Environmental and social performance
 - Human rights and modern slavery
 - Non-discrimination, grievance processes and freedom of association
 - Bribery, corruption and money laundering
 - International trade law
 - Protecting confidential and personal information
 - Speaking up
- Committed to sourcing our products and services locally where possible

Action taken:

- Enhanced supplier categorisation exercise, considering aspects such as materiality and risk
- Enhanced stock and supply chain reporting to support active supply chain management
- Strengthened supplier due diligence processes
- Assessed critical suppliers against ESG criteria and developed action plans to address any improvements identified, and commenced assessment of non-critical suppliers
- Commenced creation of supplier performance procedure and scorecard to monitor, measure and define actions with suppliers

**Further reading:**

- See our Business Partner Code of Conduct on our website at <https://itm-power.com/sustainability>

Regulators and industry bodies

Regulators set standards for our products and industry.

Industry bodies work to develop our industry's future.

Provide grants for some projects.

How we engage:

- Participate widely in industry bodies
- Work with key committee and standards groups in the UK, EU and other countries
- Contribute to consultations in the UK and EU through direct responses and contributions to working groups
- Work with partners through our membership of key industry associations in a number of territories
- Work closely with organisations such as the European Union's Fuel Cells and Hydrogen Joint Undertaking (FCH JU), Innovate UK and BEIS as funders of our grant-funded projects

Action taken:

- Hosted a regional roadshow on the COP26 Science and Innovation day, with attendees including academics and industry figures
- Won €1.95 million award for the SINEWAVE project, as part of the German Federal Ministry of Education and Research's (BMBF) hydrogen flagship project, H2Giga

Local communities

We operate within local communities and seek to be a positive influence around environment, education and health, together with EDI.

How we engage:

- Social engagement programme, ITM Nurture, monitored by the ESG Committee, which also provides suggestions for and input into its future development
- Charity Committee, an employee-led forum, gives our employees the opportunity to have a positive impact on the community around us in Sheffield through engagement with local charities
- ITM Academy responsible for delivering our ITM Nurture programme commitments around Science, Technology, Engineering and Maths (STEM) activity, ensuring we are supporting education in the local area through promoting STEM careers and sustainability
- Regular reporting of key ESG initiatives, including those with our local communities, provided to the ESG Committee and the Board

Action taken:

- Launched our ESG strategy: Sustainable Energy, Engineered Sustainably
- Published our first ESG Report, reflecting the ESG ambitions set out in our ESG strategy
- Hosted a regional roadshow on the COP26 Science and Innovation day, with attendees including local government

**Further reading:**

- See our ESG Report 2022 for more information about our social impact

Sustainable Energy, Engineered Sustainably

Our approach

In 2021, we launched our new ESG strategy: Sustainable Energy, Engineered Sustainably. This is our commitment to protect people and the planet – through both what we do as a business and how we do it. The strategy has two parts. Sustainable Energy addresses our core business purpose, which is to help the world reach net zero through the power of green hydrogen. Engineered Sustainably covers our ambition to deliver on this purpose in a sustainable way that addresses the most material ESG issues for our business.

Our first ESG Report was published in April 2021, covering the 2020 calendar year. Our second ESG Report covers the period from 1 January 2021 to 30 April 2022, while future ESG Reports will align to our financial reporting cycle. Our ESG Report sets out progress on our ESG ambitions and strategy. We have included some highlights here but invite you to read our full ESG Report, which is available on our website: <https://itm-power.com/investors/financial-reports>. We have also included some additional disclosures here that sit more comfortably within our Annual Report.

Our ESG Committee leads the development of the Group’s ESG strategy, policies and programmes. More information about our governance structures is available in the Corporate Governance Report, which starts on page 44.

Areas of focus and activities during the year

Area	Highlights during the year	Further reading
Materiality	<ul style="list-style-type: none"> – Conducted our first organisation-wide materiality assessment to identify which ESG issues are most important to our business performance and where we can have the greatest impact through what we do – Engaged a range of internal and external stakeholders to feed into the materiality assessment 	ESG Report 2022: Our material issues on page 7, available on our website at https://itm-power.com/investors/financial-reports
Environmental	<ul style="list-style-type: none"> – Established a UKAS-accredited environmental management system to the specifications outlined in the International Standard ISO 14001:2015 – Initial assessment of our carbon footprint undertaken to help us establish a baseline from which to set targets – Formalised our waste management process and included it within our internal Business Management System; appointed a single waste broker to manage all on-site waste 	ESG Report 2022: Our environmental impact on pages 13 to 16, available on our website at https://itm-power.com/investors/financial-reports
Social	<ul style="list-style-type: none"> – Launched a series of engagement workshops around our values – Re-launched and developed our intranet platform for engaging with employees – Achieved ISO 14001:2015 and ISO 45001:2018 accreditation for our health and safety management system – Launched ITM Academy, the home for learning and development across ITM Power – Conducted an employee survey to establish our workforce profile – Introduced new supplier qualification processes, including a focus on wider social matters as detailed in our Business Partner Code of Conduct such as environmental, health and safety, human rights and corruption – Developed our PGM supply chain policy – Community engagement through ITM Nurture focused on inspiring careers in STEM in future generations 	<p>ESG Report 2022: Our social impact on pages 17 to 23, available on our website at https://itm-power.com/investors/financial-reports</p> <p>Business Partner Code of Conduct and PGM Supply Chain Policy Statement on our website at https://itm-power.com/sustainability</p>
Governance	<ul style="list-style-type: none"> – Introduced ESG-linked elements to the variable remuneration for our Executive Directors – Launched a revised suite of responsible business policies for our employees, contractors and workers employed by other organisations who work on our behalf, including: Code of Ethics, Anti-Fraud and Bribery Policy, Speak Up Policy, Conflict Policy, Hospitality and Gifts Policy – Created a new risk and assurance function with responsibility for risk management and internal audit 	<p>ESG Report 2022: Our governance on pages 24 to 28, available on our website at https://itm-power.com/investors/financial-reports</p> <p>Corporate Governance Report from page 44</p> <p>Remuneration Report from page 55</p>

Sustainable Energy, Engineered Sustainably continued

UN Sustainable Development Goals (SDGs)

We have identified the four SDGs where we can have the greatest effect as a business, and the specific targets aligned to these goals that are most relevant to us and our activities:



Affordable and Clean Energy

We aim to cut the commercial cost of electrolysers over the next three years and thereby facilitate the widespread adoption of green hydrogen.

This will directly contribute to ensuring access to affordable, reliable, sustainable, and modern energy for all, addressing target 7.2: to substantially increase the share of renewable energy in the global energy mix.



Industry, Innovation and Infrastructure

By helping to decarbonise industrial processes through green hydrogen, our electrolysers support SDG 9 and, particularly, target 9.4: to upgrade infrastructure and retrofit industries to make them sustainable, with increased resource use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes.



Sustainable Cities and Communities

Through Motive, our joint venture with Vitol, we own hydrogen refuelling stations, which provide zero emissions fuel for mass transit systems. This contributes towards target 11.2: by 2030, to provide access to safe, affordable, accessible, and sustainable transport systems for all.



Responsible Consumption and Production

By helping to replace hydrogen produced directly from fossil fuels with green, emission-free hydrogen, our electrolysers support target 12.2: by 2030, to achieve the sustainable management and efficient use of natural resources.

Our material issues

While more information about our material issues is provided in our ESG Report, we have identified some core material issues on which we provide some additional information in this Annual Report:

- Climate change
- Our workforce
- Business ethics

Sustainable Energy, Engineered Sustainably continued

Climate change

To achieve net zero global carbon emissions by 2050, the world needs to transition away from fossil fuels and towards emission-free fuels, such as green hydrogen. Offering engineering solutions that contribute to a more environmentally sustainable economy and reduce global reliance on fossil fuels is at the core of our mission.

While our products can be part of the solution, we recognise our own contribution to carbon emissions. We are working to establish a specific climate strategy to guide our actions and carbon reduction ambitions. As we continue to develop this strategy, we recognise the importance of transparent disclosure and have provided:

- An overview of our current approach in line with the recommendations set out by Task Force on Climate-related Financial Disclosures (TCFD)
- Our carbon footprint calculation



Further reading:

- Corporate Governance Report from page 44
- Principal Risks and Uncertainties from page 30
- Our Market from page 15
- GHG emissions on page 27

Reporting element (aligned to TCFD)	Summary of our approach
Governance	<p>The Board provides overall leadership and independent oversight. It is primarily responsible for our strategic plan, risk management, systems of internal control and corporate governance. It retains control of key decisions.</p> <p>The Board has delegated authority to the ESG Committee for the development of the Group’s ESG strategy, policies and programmes and associated matters.</p> <p>Ownership and governance for sustainability-related risks and sustainability commitments are embedded within our business.</p>
Strategy	<p>Risks in the short term:</p> <ul style="list-style-type: none"> – As we scale up our business to respond to the demand for green hydrogen, our impact on the environment will increase and we may not be able to mitigate this <p>Risks in the medium and long term:</p> <ul style="list-style-type: none"> – Increased severity and frequency of extreme weather events such as cyclones and floods may disrupt or limit our ability to manufacture our products – Changing weather and precipitation patterns may impact the cost and/or availability of materials – Regulation related to greenhouse gas (GHG) emissions may increase costs across our value chain – Regulation related to water stress or water scarcity may disrupt or restrict our production capability – Lack of availability of clean water may restrict the effectiveness of our product <p>Opportunities in the short, medium and long term:</p> <ul style="list-style-type: none"> – The increased focus on, and adoption of, green hydrogen provides a significant opportunity for our business – PEM electrolyzers use less water than steam methane reformers (SMRs), which are currently the main source of industrial hydrogen – Electrolysis is the only fuel that doesn’t deplete oxygen in producing fuel – green hydrogen is the only oxygen and water balanced fuel – Reduction, reuse and recycling of components within our electrolyzers presents an opportunity to reduce our impact on the environment <p>While it is difficult to accurately estimate the financial impact of any climate-related disruption to our manufacturing operations, a short interruption to our production capabilities due to extreme weather events could have a significant impact on our business in the future. Such weather events could also have a significant impact on our supply chain, which could result in supply restrictions and/or increased costs.</p>
Risk management	<p>The process for identifying, assessing and responding to climate-related risks is integrated into our risk management processes.</p>
Metrics and targets	<p>During the year, we undertook an initial assessment of our Scope 1, 2 and 3 GHG emissions for the purposes of establishing a baseline from which to set climate targets and emissions reduction approach.</p>

Sustainable Energy, Engineered Sustainably continued**Carbon footprint**

The calculation of our carbon footprint follows the methodology set out by the GHG Protocol for corporate accounting and the output can be found in the table opposite. As we are not required to comply with the requirements of Part 7A of Schedule 7 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended) regarding disclosure of GHG emissions, we have not provided all the information required under the regulations.

Carbon footprint (tCO₂e)	Year ended 30 April 2022
Scope 1 emissions	249
Scope 2 (location-based)	754
Scope 2 (market-based)	203
Scope 3	103,843
Total (location-based)	104,846
Total (market-based)	104,295

1. Our footprint was calculated using the methodologies set out in the GHG Protocol Corporate Accounting and Reporting Standard. An 'operational control' approach has been used to define the emissions boundary.
2. Entities included in the footprint are as follows: ITM Power PLC; ITM Power (Trading) Limited; ITM Power, Inc.; ITM Power GmbH; ITM Power Pty Ltd and Motive Fuels Limited.
3. In the calculation and preparation of our carbon footprint we have considered a number of relevant sources, including the 2021 Government GHG Conversion Factors for Company Reporting, published by BEIS; the Homeworking Emissions Whitepaper 2020 published by EcoAct; and Supply Chain Greenhouse Gas Emission Factors for US Industries and Commodities, published by the United States Environmental Protection Agency.
4. Scope 1 emissions are derived from natural gas heating our facilities and fuel consumption within our vehicle fleet. Where natural gas consumption data was unavailable, estimates were made based on spend, historical average and average consumption figures based on property size and use.
5. Scope 2 emissions are derived from electricity consumed by our facilities.
6. Scope 3 categories included in this calculation include purchased goods and services, fuel and energy-related activities, waste, business travel, employee commuting, upstream leased assets, use of sold goods and investments. Notes on the calculation methodologies for these categories are as follows:
 - a. Purchased goods and services: a financial allocation model was used using emission factors provided by the United States Environmental Protection Agency.
 - b. Fuel- and energy-related activities: BEIS 2021 conversion factors were used to calculate well-to-tank GHG emissions from fuel usage and transmission and distribution losses from purchased electricity and well-to-tank emissions from fuels.
 - c. Waste: BEIS 2021 conversion factors were used according to mass of waste disposal by destination.
 - d. Business travel: emissions related to air and rail travel and hotel stays were obtained from our business travel service providers. BEIS 2021 conversion factors were used for mileage for personal cars and taxis.
 - e. Employee commuting: data comprising employee home postcode, place of work and share of days worked in office was collected by employee survey. National travel survey data together with BEIS 2021 conversion factors were used to determine commute emissions intensity. Homeworking emissions were calculated on the basis of the methodology set out in the Homeworking Emissions Whitepaper 2020 published by EcoAct.
 - f. Upstream leased assets: BEIS 2021 conversion factors were used together with the volume of materials consumed to operate leased assets.
 - g. Use of sold goods: sold goods are considered to be those electrolyzers that have completed site acceptance testing during the reporting period. The lifetime energy consumption of these units together with the share of green electricity used for their operation and grid emission factors was used to calculate lifetime emissions.
 - h. Investments: data on electricity and district heating consumed by ITM Linde Electrolysis GmbH was collected and converted to emissions using location-specific conversion factors.

Sustainable Energy, Engineered Sustainably continued

Our workforce

The passion, talent and hard work of our workforce contributes to our culture and growth. To support our workforce, we strive to be a responsible, sustainable and ethical employer where our values are central to all aspects of workforce management.

Our values

During the year we launched our values. They were developed to guide how we work and align with our vision and mission. They are the foundation of our business and shape our approach to recruitment, leadership and development.

Our values

We

Collaborate

We share a common vision and recognise that we all have a part to play in the ITM Power journey. We support each other and work together for this common purpose. We trust each other, are open and honest, and are committed to our collective success. We celebrate our achievements with each other. We work as one team, seeking opportunities to be collaborative.

We

Care

We care for each other, our customers, our suppliers, our environment and future generations. We have pride in what we do. We treat people with dignity and respect, we are a supportive team that values others. We do things safely.

We

Innovate

We are curious and bold, we think big. We seek to constantly improve in all we do. We develop and evolve. We have a growth mindset which encourages learning.

We are

Tenacious

We don't give up easily. We work to find solutions to problems or difficult situations. We support each other, and work together to overcome challenges. We are driven and determined. We make decisions based on facts and insights, even if those decisions are tough. We are not frightened of change. We take accountability for our actions and learn from our mistakes.

We seek

Joy

Joy is a flash of emotion, found in small gestures and in different ways for each and every one of us. By seeking joy, we appreciate those special moments that contribute towards our happiness and help develop friendships with our colleagues and partners. We recognise that acts of kindness, fun or laughter go a long way to help provide a balance to our busy and sometimes stressful lives. Whilst we are serious about our work, we don't always have to be serious, we look for ways to seek joy even when times are challenging.

Sustainable Energy, Engineered Sustainably continued**Learning and development**

We actively encourage learning and development. The ITM Academy is the hub for learning and development at ITM Power and includes a structured induction programme as well as technical, management and leadership training. It has developed a clear programme of professional and competence-based development areas. We recognise we are at the forefront of a new technology market with vast knowledge of that technology within our workforce and so the ITM Academy aims to become a global centre of excellence for training our workforce and the partners who work with us.

We aim to ensure the highest levels of technical competence and encourage the improvement of this knowledge by supporting our workforce through training courses and qualifications, ranging from single day courses up to Master's degree-level qualifications and accredited development programmes. We are also proud to have a number of apprentices and industrial placement students representing a significant part of our workforce, with a range of new apprenticeship programmes to be introduced in the future. Our plans for the future also include the development of a graduate scheme, with the preparatory work being undertaken in the short to medium term.

Engagement

Details of how we engage with our workforce are provided in Stakeholder engagement: Workforce on page 22.

In the next year, we are introducing a bi-annual engagement and wellbeing survey. Action plans will be created from this, which will be developed with our managers and a new employee forum: ITM Voices.

Recruitment and benefits

We seek to recruit and retain the best employees in our sector and recognise the importance of employee retention. We offer a range of employee benefits designed to attract employees, support long-term retention and promote a working environment that creates strong employee engagement with a wellbeing focus. We are a Real Living Wage employer.

We have granted share awards under our Long Term Incentive Plan to all employees and, in the UK, offer a buy-as-you-earn Share Incentive Plan (SIP), which enables staff to buy shares on a tax-efficient basis and receive matching shares from the Company. Around 55% of eligible employees participate in the SIP.

Benefits vary according to the country of employment but typically also include childcare vouchers, a cycle purchase scheme, and an employee assistance programme. Benefits that are common to all employees, no matter where they are employed, are participation in our Long Term Incentive Plan, access to our Employee Assistance Programme and an additional day's annual leave on their birthday.

We do not recognise any unions in the UK and only have one employee outside the UK covered by a collective bargaining agreement.

Equity, diversity and inclusion

We are an equal opportunities employer. We make decisions about recruitment, promotion, training and other employment matters solely on the grounds of individual ability, achievement, expertise and conduct. We don't discriminate on the basis of gender, gender identity, sexual orientation, marital status, race, colour, ethnicity, national origin, cultural heritage, religion, age, social background, mental or physical ability or disability, or any other reason not related to job performance or prohibited by law. More than this, we recognise the collective benefit of having diverse teams, enriching the working lives of our workforce and better serving our global client base.

We encourage recruitment, training, career development and promotion on the basis of aptitude and ability, without regard to disability. We are also committed to retaining employees who become disabled during the course of their employment. We endeavour to make reasonable adjustments to the duties and working environment to support any employee suffering a disablement during their employment, including providing retraining as necessary.

We will launch our EDI strategy and implementation plan in the next year, with key priorities focusing on encouraging greater gender diversity within our business and particularly in STEM related areas.

More information on our approach to equity, diversity and inclusion, including key indicators, is provided in our ESG Report 2022: Our social impact, available on our website at <https://itm-power.com/investors/financial-reports>.

Business ethics

We are committed to maintaining appropriate standards for all our business activities:

- We have a Code of Ethics that sets out how we do business
- Our handbook sets out the conduct expected of our workforce and includes guidance for key issues
- We have a Business Partner Code of Conduct and have implemented supplier accreditation and due diligence processes
- Our ESG Committee considers business ethics as part of its wider consideration of ESG matters

More information about how we ensure we have an appropriate culture and an ethical approach is provided in the introduction from the Chair of the Board to the Corporate Governance Report on page 38.

All employees and, where appropriate, contractors, whether full-time or part-time, are required to undertake a variety of training including, among other topics, covering our Code of Ethics, our approach to avoiding fraud and bribery and data protection.

We have reviewed the extent to which money laundering presents a risk to our business and the policies and procedures we need to address any risk. We have concluded we do not require a separate anti-money laundering policy as our Code of Ethics requires us to:

- Do the right thing, for the right reason
- Hold ourselves to a higher standard
- Observe regulations and legislation in all countries of operation

Nevertheless, in the coming year we intend to provide training to key personnel to raise awareness of money laundering offences and what to do if anyone has a concern.

Principal Risks and Uncertainties

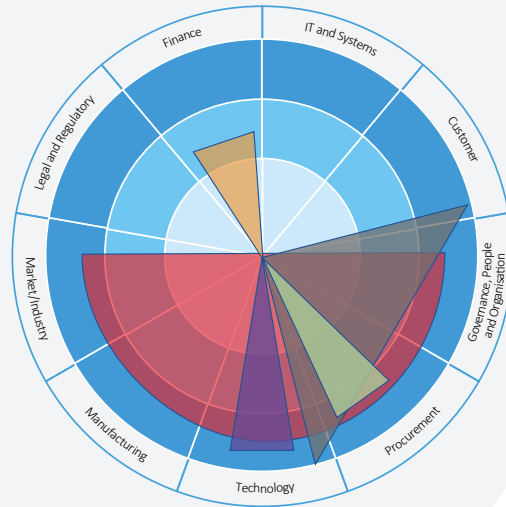
Our approach to risk

The Board is ultimately responsible for ensuring there is a robust and effective framework in place for the Group's risk management activities, which aims to underpin better decision making and embed a drive to continually improve our performance. Through a refocused risk management approach, and utilising the three lines of defence model, our capability to assess risks is continually improving, such that our strategic, significant and emerging risks are identified and managed effectively.

Principal risks and uncertainties

The Board has identified those risks which are deemed principal to its business due to their potential severity and link to the Group's strategy, markets and operations, which are set out below. This is not intended to be an exhaustive list. Additional risks not presently known to management, or risks currently deemed to be less material/strategically important, may also have the potential to cause an adverse impact on our business.

Risk radar



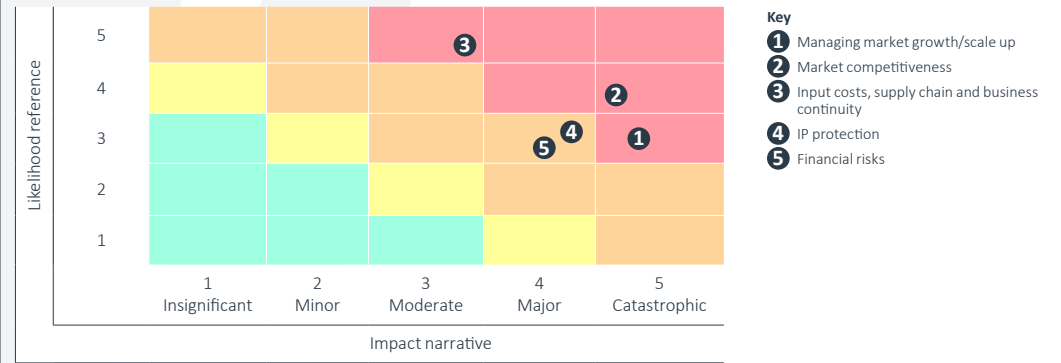
Key

- Short Term Strategic <2 years
- Medium Term Strategic 2-5 years
- Longer Term Emerging >5 years

Associated Principal Risks

- Managing market growth/scale up
- Market competitiveness
- Input costs, supply chain and business continuity
- IP protection
- Financial risks

Heatmap – net risk



Key


- 1 Managing market growth/scale up
- 2 Market competitiveness
- 3 Input costs, supply chain and business continuity
- 4 IP protection
- 5 Financial risks

Risks associated with the environment and climate change


Businesses across all industries and markets are facing increasing scrutiny relating to their ESG policies. As a producer of sustainable energy, ESG is at the core of the Group's business plan, and the Board is aware that this could in turn lead to a higher level of scrutiny on the progress and achievement of our sustainability goals and commitments. The Board's ESG Committee has oversight of the Group's ESG activities and has engaged external consultants to assist in the development of our ESG strategy, as well as the measurement of our own carbon footprint, which supports our drive to reduce our carbon-intense production areas.

Further details for this aspect of our business can be found in our ESG Report on our website at <https://itm-power.com/investors/financial-reports>.


Principal Risks and Uncertainties continued

Risk	Link to strategy	Risk impact and description	Mitigation	Change
<p>1 Managing market growth/scale up</p>	<p>Scalable manufacturing Strong partners and relationships Expert knowledge</p>	<p>Since the market for green hydrogen is still evolving, it is difficult to predict the size and growth rate of the market with certainty. However, the publicly announced rapid acceleration of numerous governmental green hydrogen targets, leading to an expansion of our target markets and business, will place additional demands on our technical, sales, engineering and logistics systems. The Group's success depends also on its strategic partnerships and other arrangements with third parties. If any of our current strategic partners were to terminate any of their agreements with the Group, or if other sub-contractors were to fail to perform to expected standards, it could have a negative impact on the development and commercialisation of the Group's products and the operation of its business.</p> <p>The Group faces risks associated with its current dependence on a single manufacturing facility. Although our plans include the intention to develop new manufacturing facilities, until additional facilities are deployed the Group will remain highly dependent on the factory at Bessemer Park.</p> <p>We rely on individuals across our organisation with key knowledge, skills and experience gained over a number of years working within ITM Power. Losing such key individuals could disrupt the operational activities of the business in the short to medium term.</p>	<p>ITM Power is at the forefront of the green hydrogen sector and has in place ambitious plans to ensure it remains a leading player in the market, as the increasing acceleration in the sector continues to 2030 and beyond.</p> <p>To support our growth strategy, ITM Power has entered into contractually binding strategic partnerships to cover key aspects of its business including supply chain, technical design and development and EPC services for large industrial projects. In conjunction with these, the Group is also building its own business development relationships globally.</p> <p>We also continue to undertake homologation exercises with Linde Engineering and Linde Gas to ensure its products are applicable to the widest possible markets to mitigate the risk of traction in limited geographies.</p> <p>Our systems are also being prepared for scale, with a new enterprise resource planning (ERP) system currently being implemented across the business to support our product's life cycle management and after sales service offering. Our strong recruitment and ITM Academy team, ensure we are able to resource and develop key talent to help drive the Group forward. The Board has a succession plan.</p> <p>We also keep our disaster recovery plans under constant review, which, combined with comprehensive insurance and the monitoring of actual and projected volumes of our Bessemer Park factory, ensures we understand the critical path for adding increased manufacturing capacity to both our Bessemer Park factory and any new sites.</p>	


Principal Risks and Uncertainties continued

Risk	Link to strategy	Risk impact and description	Mitigation	Change
<p>2 Market competitiveness</p>	<p>Continual technology development Strong partners and relationships Develop ITM Power Service</p>	<p>There is a risk that we fail to deliver products that are competitive in terms of performance, cost or delivery.</p> <p>As we are developing new technologies it is very likely that unforeseen difficulties and obstacles to development will arise which may result in the product not performing as expected (especially when first introduced), failure of products to perform, damage to our reputation, delayed or lost revenue, product returns, diverted development resources and increased development, service and warranty costs and potential product liability claims.</p> <p>This risk could also result in not realising the cost benefits anticipated or not being capable of realisation at all. Where the development can be realised, there is no guarantee that the development will be completed in the time periods which the Group currently anticipates.</p> <p>The Group currently faces and will continue to face competition from other developers and manufacturers of electrolyser products and technologies, as well as developers and manufacturers of existing power technologies and other alternative power technologies. If we are unable to compete effectively against our competitors, this will impact its ability to gain market share or market acceptance for its products.</p>	<p>ITM Power has created a technology centre, containing world class facilities, which enables us to undertake extensive testing of core components of our products, as we seek to provide the solutions and meet the challenge of the global net zero targets being announced.</p> <p>We also continue to enhance our processes and procedures to support systematic and routine validations of current and new technology being developed. This is supported through extensive data collection from our control room, which gives us a live connection to products both under testing and those operating in the field.</p> <p>Our vertically integrated technology approach allows product evolution carry overs and provides us with the capability to rapidly adapt to changing market needs. We also undertake value engineering exercises to reduce product complexity, increase performance and durability in the field, as well as reduce cost.</p> <p>As the market matures and the size of required systems becomes larger, working with our strategic partners provides us with a competitive edge when tendering for green hydrogen projects. We also seek to create partnerships, frameworks and preferred supplier status with key customers wherever possible, creating additional channels to market. Our partnership with Linde also allows for early engagement with prospective customers, as we seek to provide the best solution for their needs.</p>	<p></p>


Principal Risks and Uncertainties continued

Risk	Link to strategy	Risk impact and description	Mitigation	Change
<p>3</p> <p>Input costs, supply chain and business continuity</p>	<p>Scalable manufacturing Strong partners and relationships Continual technology development</p>	<p>Due to a combination of post COVID-19 recovery and global geo-political instability (including the crisis in Ukraine and subsequent sanctions on Russia), global supply chains have been severely disrupted on a never-before-seen scale, driving up costs of key materials and reducing availability in the process.</p> <p>In addition, our pace of growth also poses risks with our existing supply chain, to supplier capability, quality, scalability, and working capital management.</p> <p>We rely on third-party suppliers to provide raw materials and components for its products, including electrical, stainless steel and some PGMs, that are critical to the manufacturing process. In some cases, this is through a single supplier.</p> <p>There are also specific risks around the price volatility of precious metals used within the Group’s core technology. This could lead to costs of projects being underestimated. Furthermore, there is a risk that the ability to deliver expected yields from recycling differ to those expected, which may lead to cost variation on project and product life cycle.</p> <p>A new or existing supplier’s failure to provide materials or components in a timely manner, or to provide materials and components that meet the Group’s quality, quantity or cost requirements, or the Group’s inability to obtain substitute sources for these materials and components in a timely manner or on acceptable terms, may harm its ability to manufacture products cost-effectively or at all and may damage our reputation and could also result in penalties for the Group under its customer contracts.</p> <p>An IT system failure or non-availability, cyber-attack or breach of system security could disrupt our operations, cause the loss of, destruction of, or unauthorised access to sensitive, confidential or personal data or information or expose us to regulatory investigation, litigation or contractual penalties. If any of these events took place, it could have a negative impact on our business, financial condition, results of operations, prospects and reputation.</p>	<p>We are in the process of evaluating a sourcing strategy for each of our key components, with approaches differing by component type. Where we rely on a single supplier, we seek to enter into appropriate contracts with these suppliers or a future strategy to source different product portfolios with different suppliers where appropriate. For other materials, we employ a multi-sourcing strategy. The Group continues to review opportunities to bring processes in-house to address potential intellectual property (IP), quality and security of supply risks.</p> <p>We also have an appropriately resourced procurement department, which is based on a category structure to build appropriate local and specialist knowledge and an understanding of key markets. A strategic supplier development and performance management infrastructure is also in construction, to maintain the quality and security of supply of key raw materials.</p> <p>Timely and accurate forecasting models and approaches have also been adopted to provide better visibility of volume requirements over time and to drive action plans ahead of requirement for supply chain readiness.</p> <p>The Group seeks to mitigate exposure to precious metal risk through operating back-to-back contracts, having continued dialogue with suppliers and managing larger transactions on a no-risk basis where possible.</p> <p>The Group undertakes regular reviews, testing and invests in robust and effective security policies, controls and technologies to protect commercial and sensitive data and to ensure the overall system protection in place remains appropriate and proportionate. This also includes a continual review of the latest threats and trends in information security and governance to ensure our protection is always current and effective.</p>	<p></p>

Principal Risks and Uncertainties continued

Risk	Link to strategy	Risk impact and description	Mitigation	Change
<p>4 IP protection</p>	<p>Continual technology development Strong partners and relationships</p>	<p>The Group depends on its IP and failure to protect that IP could reduce its ability to prevent others from using its technology and therefore adversely affect our future growth and success.</p> <p>PEM electrolysis systems as a whole cannot be patented or otherwise legally protected because some of the technologies underpinning their operation are based on other proven and mature technologies and are generally know-how based. Also, while it is the case that various components and processes developed by the Group have been or are assessed to have the potential to be patented, we only pursue patents when they are expected to be of high value, because patent applications include risks stemming from publication of detailed component and process descriptions.</p> <p>The Group has entered into agreements with customers and partners, including its joint venture with Linde, that involve shared IP rights and an increased risk to us of the disclosure of trade secrets and proprietary technology. Any developments made under these agreements will be available for future commercial use by all parties to the agreement, which may make it more difficult for us to control third-party usage and protect its shared IP in the future.</p> <p>It is also the case that there is a potential risk for the Group in its losing certain freedoms to operate due to the complexity and growth of PEM electrolysis technology.</p>	<p>We rely on a combination of patent, trade secret, trademark and copyright laws to protect its IP and seeks legal and other third-party specialist advice where appropriate.</p> <p>The choice of territories and jurisdictions the Group serves includes an evaluation of inherent IP risk. Freedom-to-operate (FTO) searches are also undertaken where it is deemed appropriate.</p> <p>We have an agreed IP management policy and seek to protect our proprietary IP through contracts including, when possible, confidentiality agreements and inventors' rights agreements with our customers and employees. If necessary or desirable, we may seek licences under the patents or other IP rights of others.</p> <p>Secure file sharing practices are also employed to provide technical mitigation and we have an ongoing training plan for staff to support this aim.</p>	

Principal Risks and Uncertainties continued

Risk	Link to strategy	Risk impact and description	Mitigation	Change
<p>5 Financial risks</p>	<p>Scalable manufacturing</p>	<p>In addition to the potential financial impact as detailed within the other principal risks and uncertainties, specific financial risks also exist.</p> <p>As a result of the cost and time required for our research and development activities, we have not yet achieved profitability, and it may fail to do so in the future. To increase revenues and achieve profitability, we must successfully execute its growth strategy, which includes, among other things, leveraging strategic partnerships to secure a global competitive advantage and building capacity ahead of anticipated demand.</p> <p>Furthermore, the length and variability of the sales cycles for our products makes it difficult to accurately forecast the timing and amount of specific sales and corresponding revenue recognition. Due to the complexity and capital value of the projects in which our products and technologies are used, the evaluation process can result in a sales cycle of several months or more, and, after evaluations, a potential customer may not purchase our product at all.</p> <p>As the Group sells its products internationally, general economic conditions in the countries in which the Group seeks to operate could have an adverse effect on Group earnings from operations in those countries.</p> <p>Our plans include investment in our product development as well as scaling up our manufacturing capabilities, leading to cash outflows. These are likely to increase through building products to stock before positive cash flow is generated from sales. If we fail to generate planned positive cash flows, we may require further funding.</p>	<p>Through a number of successful shareholder fundraises, ITM Power has a strong and healthy balance sheet with £336 million funds available to it at year end.</p> <p>A comprehensive monthly governance process is in place to monitor key risks versus our financial targets and develop actions to effectively mitigate against them.</p> <p>Foreign exchange transaction risk is managed through a Treasury Policy, hedging for all committed transactions and a range of forecasted transactions, thereby mitigating the effects on UK import costs.</p>	<p></p>

Going Concern

The Directors have prepared a cash flow forecast for the period ending 30 September 2023. This forecast indicates that the Group and parent company would expect to remain cash positive without the requirement for further fundraising 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 significant cash reserves. This should give the business sufficient funds to trade for the next 12 months if the business continues with its medium-term business plan.

The business remains in a development phase, and continues in a cash outflow position, using funding generated from previous fundraises. As such, 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 12 months from the date of approval of these financial statements.

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

The Strategic Report set out on pages 4 to 36 was approved by the Board on 14 September 2022 and signed on its behalf by

Andy Allen
Chief Financial Officer

Governance

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- 70 Directors' Responsibilities Statement

Introduction from the Chair of the Board



My fellow Board members and I firmly believe that excellent corporate governance is vital to creating a sustainable, growing business.

Dear shareholder

I am pleased to present our Governance Report for the year. My fellow Board members and I firmly believe that excellent corporate governance is vital to creating a sustainable, growing business. We aim for our governance to be best in class in the AIM Top 50.

As Chair of the Board, it is my responsibility to ensure the effective working of the Board through a sound governance framework that supports and enables the Board. I am supported in this work by my fellow Board members and the Company Secretary, who work to ensure ITM Power is managed for the long-term benefit of all shareholders, having regard to other stakeholders' interests where appropriate.

Our governance framework is summarised on page 44.

The Board has chosen to apply The Quoted Companies Alliance Corporate Governance Code 2018 (QCA Code). We have set out a summary of ITM Power's application of each of the 10 principles of the QCA Code on the following pages, with links to where you can find further information in this Annual Report and on our website.

We have historically published our statement of compliance with the QCA Code on our website in the first quarter of the calendar year. We will from now on publish the relevant information in our Annual Report and on our website at the same time as the Annual Report is published.

Culture

It is important to ensure our culture is embedded and supports our strategy and business model. It is integral to our development together as one ITM Power. As a rapidly growing business, this has been an area of particular focus this year. We ran our first engagement

survey shortly after the end of the financial year and will use this to inform discussions on culture going forward. The intention is to run this at regular intervals so we can monitor our culture and how it is changing over time.

Our values

We launched our values during the year. These guide how we work and align with our vision and mission. They underpin our recruitment processes, shape our leadership and development programmes and form part of our performance and development review process.

Doing the right thing

Our Code of Ethics was introduced last year. This sets out how we do business and we have produced supporting guidance for our workforce. We choose to operate with honesty and integrity in all we do. We do the right thing for the right reason throughout our work.

We provide mechanisms for our workforce to speak up when they see evidence of possible wrongdoing, fraud or unethical behaviour. We listen to concerns that are raised; we investigate and where possible we provide an explanation of the outcome; and we protect and support people who do the right thing. While the speak up mechanisms have previously been completely internal to ITM Power, we now also provide a third-party independent whistleblowing service in the event someone feels unable to speak to anyone internally. Training in the Code of Ethics is now available for all employees. There were no whistleblowing matters raised during the year.

Management is developing a series of key performance indicators to measure how our Code of Ethics is embedded and applied.

Leadership

Visible leadership is key to our values, ethics and culture. Our leaders set expectations for behaviour and demonstrate these expectations through their own behaviour. This approach is based on an open, collaborative team culture. The culture is promoted through an open-door policy for access to senior managers and leaders, a flat structure, and close team working. Understanding more about how our culture is perceived by managers and employees is addressed through engagement surveys.

Sir Roger Bone

Chair of the Board
14 September 2022

Our values:

We *Collaborate*
We *Care*
We are *Tenacious*
We *Innovate*
We seek *Joy*

Our ethical principles:

Always safety first
Always act in accordance with laws and regulations
Always act with integrity to deliver excellence
One team: always committed to work well together
Always respectful

Summary of Application of the QCA Code

Principle	Application and key actions during the year	Further reading
1. Establish a strategy and business model which promote long-term value for shareholders	<ul style="list-style-type: none"> – Our vision, mission, strategy and business model respond to a growing demand and need for net zero carbon emissions – We have a product offering that is scalable – Our competitive advantage is the efficient manufacture and supply of best-in-class PEM electrolyser – We work strategically with partners to scale our impact, industrial reach and market penetration 	<ul style="list-style-type: none"> – Our vision and mission on page 17 – Our Strategy and Our Business Model on pages 17 to 18
2. Seek to understand and meet shareholder needs and expectations	<ul style="list-style-type: none"> – The CEO and CFO brief the Board on the views of major shareholders – We communicate with shareholders through meetings, presentations, online events, announcements and general meetings – We completed a fundraising of £250 million in November 2021 – We engaged with shareholders to discuss their concerns and reasons behind the 28.70% vote against the approval of our Remuneration Report and published our response on our website 	<ul style="list-style-type: none"> – Stakeholder engagement: Investors on page 21 – Remuneration Report on page 56 – https://itm-power.com/investors/shareholder-documents
3. Take into account wider stakeholder and social responsibilities and their implications for long-term success	<ul style="list-style-type: none"> – The ESG Committee supports our commitment to be a sustainable business – We have identified our key stakeholders and ensure appropriate engagement with them takes place: workforce, strategic partners, customers and potential customers, suppliers, regulators and industry bodies, and local communities 	<ul style="list-style-type: none"> – Stakeholders and Section 172(1) Statement from page 19 – Sustainable Energy, Engineered Sustainably from page 24 – ESG Report 2022 at https://itm-power.com/investors/financial-reports

Principle	Application and key actions during the year	Further reading
4. Embed effective risk management, considering both opportunities and threats, throughout the organisation	<ul style="list-style-type: none"> – We maintain a risk register and risk management is overseen by the Audit Committee – We have a framework of internal financial controls, overseen by the Board, the Audit Committee and the Executive Committee – Our framework of non-financial controls is overseen by the Board – We have quality and HSE management systems in place – Our Code of Ethics and handbook set out the ethical and conduct expectations of our workforce – During the year, we created a Risk and Assurance function with responsibility for risk management and internal audit 	<ul style="list-style-type: none"> – Principal Risks and Uncertainties from page 30 – Audit Committee Report from page 51 – See also principle 8
5. Maintain the board as a well-functioning, balanced team led by the chair	<ul style="list-style-type: none"> – All the Board members have the same duties, including to act in the best interests of the Company as a whole, but they have different roles, which contribute to the effective operation of the Board – We created a separate, stand-alone role for the Company Secretary and recruited a governance professional into the role 	<ul style="list-style-type: none"> – Roles and responsibilities on the Board on page 45

Summary of Application of the QCA Code continued

Principle	Application and key actions during the year	Further reading
6. Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities	<ul style="list-style-type: none"> – Board members have an appropriate balance of skills, experience, personal qualities and capabilities to support our strategy and business model – The Board committed to achieving 33% female Board membership at the earliest possible date and to increasing the ethnic diversity of its members – An induction programme is provided for new Board members – The NOMAD, Company Secretary, Ernst & Young LLP (remuneration consultants), Good Business (ESG consultants) and other advisors are available to the Board 	<ul style="list-style-type: none"> – Board biographies on pages 41 to 42 – Balance on the Board on page 43 – Induction and training on page 45
7. Evaluate board performance based on clear and relevant objectives, seeking continuous improvement	<ul style="list-style-type: none"> – We conduct a periodic evaluation (every 18-24 months) of the Board’s performance – The outcomes from the evaluation process are reported in the next annual report – We conducted an evaluation in early 2022 	<ul style="list-style-type: none"> – Board evaluation on page 47
8. Promote a corporate culture that is based on ethical values and behaviours	<ul style="list-style-type: none"> – Our Code of Ethics sets out how we do business – We provide mechanisms for our workforce to speak up – Visible leadership is key – We are an equal opportunities employer – We are clear about our expectations of our workforce – During the year, we launched the values that guide how we work to drive forward our vision and mission 	<ul style="list-style-type: none"> – Our vision and mission on page 17 – Our values on page 28 – Sustainable Energy, Engineered Sustainably: Business ethics on page 29 – ESG Report 2022 at https://itm-power.com/investors/financial-reports – Code of Ethics at https://itm-power.com/sustainability

Principle	Application and key actions during the year	Further reading
9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the board	<ul style="list-style-type: none"> – The Board retains control of key decisions – Certain matters are delegated to Committees – The CEO manages the day-to-day business with the Executive Committee – Decisions are made in accordance with delegated authorities 	<ul style="list-style-type: none"> – Governance framework on page 44 – Roles and responsibilities on the Board on page 45
10. Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders	<ul style="list-style-type: none"> – We engage with shareholders and stakeholders – We publish the outcome of all general meeting votes through London Stock Exchange’s Regulatory News Service 	<ul style="list-style-type: none"> – Stakeholders and Section 172(1) Statement from page 19 – See also principles 2 and 3

Board of Directors

- Key**
- A Audit Committee
 - E ESG Committee
 - N Nomination Committee
 - R Remuneration Committee
 - S Strategic Advisory Committee
 - T Technology Management Committee
 - Chair of the Committee

Sir Roger Bone
Chair of the Board

Appointed to the Board: June 2014

Independent: Yes

A N

Key skills/experience:

- Senior leadership of international and manufacturing/industrial organisations
- Broad range of financial experience
- Risk management
- Significant service within UK Government
- Fellow of the Institution of Engineering Designers

Previous appointments include:

- Boeing UK – President
- Foreign & Colonial Investment Trust plc – Senior Independent Director
- National Centre for Universities and Business (NCUB) – Non-Executive Director and trustee
- Honorary Ambassador for British business
- British Ambassador to Brazil and Sweden
- Royal United Services Institute – trustee

Key external commitments:

- Chairman of Over-C Limited
- Joint Chairman of Motive (nominated by ITM Power)

Dr Graham Cooley
CEO

Appointed to the Board: June 2009

Independent: No

E N

Key skills/experience:

- Power sector
- Understanding of financial markets
- Leading growth businesses
- PhD in physics
- MBA
- Fellow of the Institute of Metals, Minerals and Mining
- Fellow of the Energy Institute
- Fellow of The Institution of Engineering and Technology

Previous appointments include:

- National Power plc – Business Development Manager
- International Power plc – Business Development Manager
- Sensortec Ltd – CEO
- Metalysis Ltd – founding CEO
- Antenova Ltd – founding CEO

Key external commitments:

- Member of the UK Hydrogen Advisory Council
- Non-Executive Director of Renewable UK Association

Andy Allen
CFO

Appointed to the Board: May 2018

Independent: No

Key skills/experience:

- Chartered accountant
- Extensive experience auditing manufacturing companies
- Understanding of financial markets

Previous appointments include:

- None

Key external commitments:

- None

Dr Simon Bourne
Chief Technology Officer

Appointed to the Board: November 2009

Independent: No

T

Key skills/experience:

- Design and development of electrolyzers
- PhD regarding hydrophilic polymers

Previous appointments include:

- Sonatest PLC – Project Engineer
- Ministry of Defence – Researcher

Key external commitments:

- None

Dr Rachel Smith
Services Director

Appointed to the Board: September 2015

Independent: No

E S

Key skills/experience:

- Material and electrochemical cells
- Environmental science
- Energy conservation
- EngD regarding carbon fibre composites

Previous appointments include:

- Research Scientist

Key external commitments:

- None

Board of Directors continued

Denise Cockrem
Non-Executive Director

Appointed to the Board: July 2022

Independent: Yes

(A)

Key skills/experience:

- Chartered accountant
- Financial planning and analysis
- Performance reporting and forecasting
- Financial controls
- Internal audit and risk management
- Strategic planning
- Regulatory compliance

Previous appointments include:

- Good Energy Group plc – Chief Financial Officer
- RSA Insurance Group – UK and Western Europe Finance Director, Deputy UK Finance Director, Group Director of Financial Planning and Analysis, Group Financial Controller
- Direct Line – Finance Director of Direct Line Retail Division
- Royal Bank of Scotland – Head of Finance, Corporate Banking and Financial Markets

Key external commitments:

- Benefact Group and Ecclesiastical Insurance Office plc – Group Chief Financial Officer
- MacIntyre Academies Trust – Independent Member

Martin Green
Non-Executive Director

Appointed to the Board: September 2019

Independent: Yes

(A) (R) (S)

Key skills/experience:

- Battery, fuel cell and hydrogen technologies
- Senior leadership of international and manufacturing/industrial organisations
- Broad range of financial experience
- Risk management
- Business-to-business customer and supply chain management
- Strategy development and implementation
- Scaling growth businesses
- Mergers and acquisitions experience

Previous appointments include:

- Johnson Matthey plc – various positions over 30 years, latterly as group strategy director

Key external commitments:

- The Henry Royce Institute for Advanced Materials – Non-Executive Director
- LeydenJar Technologies BV – Non-Executive Director
- Anaphite Limited – Non-Executive Director

Jürgen Nowicki
Non-Executive Director

Appointed to the Board: November 2019

Independent: No

(S) (T)

Key skills/experience:

- Engineering sector
- Accountant
- Internal audit
- Understanding of financial markets
- Risk management
- Business-to-business customer and supply chain management
- Senior leadership of international organisations
- Strategic planning

Previous appointments include:

- Linde Gas North America – CFO
- Linde Group – Head of Finance and Control
- Linde Engineering – Senior Vice President, Commercial

Key external commitments:

- Linde plc – Executive Vice President, Managing Director of Linde Engineering

Katherine Roe
Non-Executive Director

Appointed to the Board: May 2020

Independent: Yes

(E) (N) (R)

Key skills/experience:

- Energy sector
- Finance
- Capital markets
- Risk management
- Senior leadership of international organisations
- Remuneration
- Marketing/PR
- Corporate development
- Strategic planning
- ESG expertise

Previous appointments include:

- Morgan Stanley – investment banking
- Panmure Gordon – Director within investment banking, headed the energy team
- Wentworth Resources plc – CFO

Key external commitments:

- Wentworth Resources plc – CEO
- Longboard Energy plc – Non-Executive Director and Audit Committee Chair

- Key**
- (A) Audit Committee
 - (E) ESG Committee
 - (N) Nomination Committee
 - (R) Remuneration Committee
 - (S) Strategic Advisory Committee
 - (T) Technology Management Committee
 - Chair of the Committee

Board members that stepped down during the year:

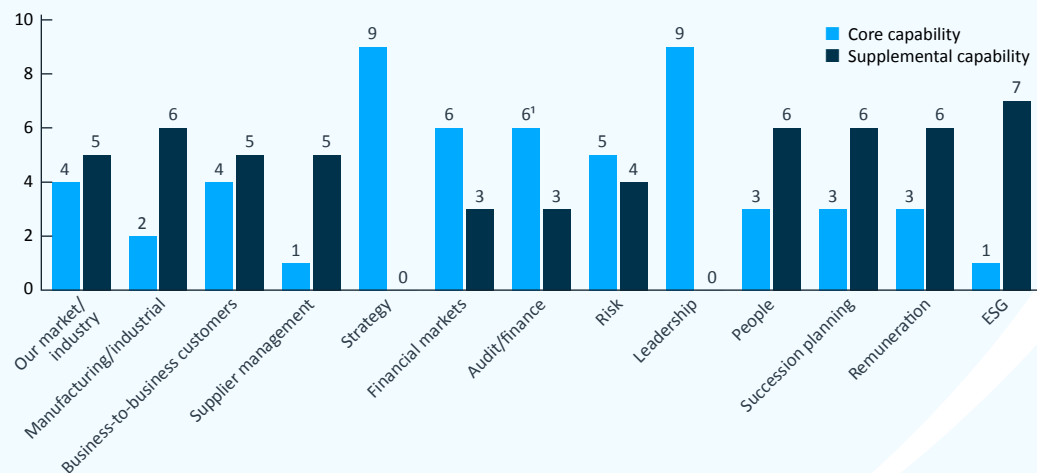
- Tom Rae resigned effective 16 November 2021

Board of Directors continued

Balance on the Board

The Board is satisfied that its members possess an appropriate balance of skills, experience, personal qualities, and capabilities. It has identified the skills and experience below as being of key importance to support our future plans. It has also identified supporting skills and experience where it feels it is appropriate to rely on the support of specialists within senior management and external advisors, including technology/IT, marketing/PR, lobbying/political/regulatory and legal. The Board is pleased to have improved the balance and diversity on the Board since the publication of the last Annual Report.

Directors' skills and experience

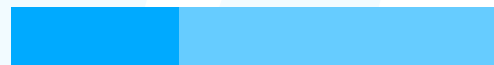


1. Of our Directors with audit/finance experience, only two were members of the Audit Committee during the year. While having a broad range of financial experience, these two Directors do not have specific audit or accounting expertise. The addition of Denise Cockrem with effect from 25 July 2022, has enhanced this experience on the Board and, in particular, on the Audit Committee.

Women on the Board

3 of 9

(2 of 9 at the time of the 2021 AGM)



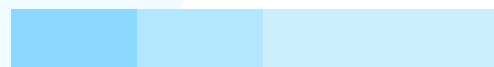
Executive/Non-Executive Directors on the Board



Executive	4
Non-Executive ¹	5

1. Including the Chair of the Board.

Tenure profile of the Board: Executive¹



	Executive	Non-Executive ²
<1 year		1
1 – 3 years		3
3 – 6 years	1	
6 – 9 years	1	1 ²
>9 years	2	

1. As at 14 September 2022.
2. Including the Chair of the Board.

Independent Directors on the Board (including the Chair of the Board)

4 of 9

(3 of 9 at the time of the 2021 AGM)



Age profile of the Board



Up to 40	1
41 – 50	3
51 – 65	4
Over 65	1

Tenure profile of the Board: Non-Executive¹



Ethnicity

9 of 9

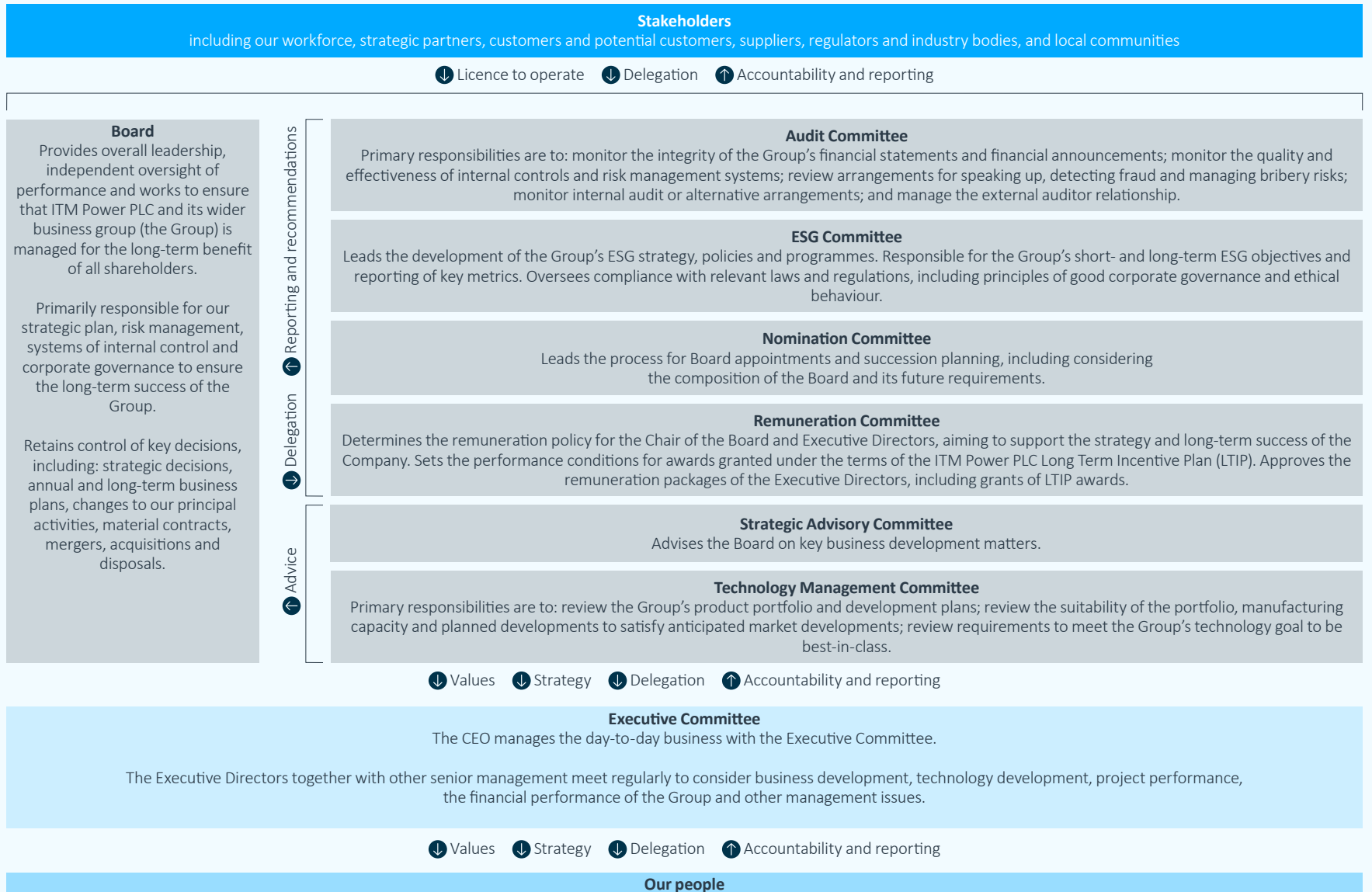
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Corporate Governance Report

In this report we provide more detail regarding how we apply the principles of the QCA Code.

Governance framework
Our governance framework is summarised here:

- **Further reading:**
- Board activities during the year on page 46
 - Board Committees from page 47
 - Audit Committee Report from page 51
 - Sustainable Energy, Engineered Sustainably from page 24
 - Remuneration Report from page 55



Corporate Governance Report continued**Roles and responsibilities on the Board**

All the Board members have the same duties, including to act in the best interests of the Company as a whole, but they have different roles:

Role	Held by	Responsibilities
Chair of the Board	Sir Roger Bone (independent)	<ul style="list-style-type: none"> – Effective working of the Board – Leads and manages the business of the Board – Sets the agenda for Board discussions – Promotes effective and constructive debate – Supports a sound decision-making process – Plus the responsibilities of Non-Executive Directors – Available to shareholders
CEO	Graham Cooley	<ul style="list-style-type: none"> – Executive management of the business day-to-day, including leading the Executive Committee – Implementing the strategy – Leading operational matters – Performance (financial and non-financial) – Available to shareholders
Non-Executive Directors (NEDs)	Denise Cockrem (independent) effective 25 July 2022 Martin Green (independent) Jürgen Nowicki (shareholder nominee) Katherine Roe (independent)	<ul style="list-style-type: none"> – Provide constructive challenge, strategic guidance, external insight and specialist advice – Hold management to account – Available to shareholders on request
Executive Directors	Andy Allen (CFO) Simon Bourne (Chief Technology Officer) Rachel Smith (Services Director)	<ul style="list-style-type: none"> – Operational matters, within areas of specific responsibility – Performance, within areas of specific responsibility – Available to shareholders on request

Board meetings are scheduled in advance, with ad hoc meetings arranged to suit business needs. Meetings were largely held virtually during the year as a result of the continuing impact of the COVID-19 pandemic. We aim to return to face-to-face meetings over the course of the next year.

The Chair of the Board commits around five to six days a month to his duties and is paid a fee. The other NEDs are expected to provide around three days a month of their time and, with the exception of Jürgen Nowicki, receive only fees. Jürgen receives no remuneration from us for his service – he is remunerated by Linde. The Board considers the other demands on the time of any proposed NED before their appointment and satisfies itself that their other commitments will not interfere with their ability to perform their duties effectively.

The Executive Directors are full-time employees and officers of the Company. They receive salaries, performance-related remuneration and benefits. More details can be found in the Remuneration Report.

Directors are subject to election at the first AGM of the Company following their appointment. Thereafter, they are subject to re-election every three years or, if they have been in office for nine years or more, annually.

Balance and diversity

The Board is comfortable that it is balanced, both numerically and in experience. Nevertheless, it remains aware of the need to keep this under review. Details of individual Directors' skills and experience plus an overview of the skills and experience on the Board are provided on page 43.

The Board is also cognisant of the need to ensure appropriate diversity of thought, which aids good decision making. This is driven by many factors in Directors' backgrounds, including gender and ethnicity. The Board committed to achieving 33% female Board membership at the earliest possible date, which it met with the appointment of Denise Cockrem in July 2022. It is also committed to increasing the ethnic diversity of its members.

Induction and training

It is important to ensure all Board members are given the right access to information to enable them to discharge their duties. The Company Secretary works to ensure the Board and its Committees have full and timely access to relevant information. This includes provision of an induction programme to new Board members and circulation of papers in advance of meetings.

The revised induction programme (see Board evaluation on page 47) includes a suite of induction materials explaining:

- Their legal duties and responsibilities, including in relation to section 172 of the Companies Act
- The calendar of Board and Committee meetings
- Governance documents, policies and procedures
- Committee terms of reference
- Our Code of Ethics and share dealing code
- Background information about ITM Power
- Meetings with members of the Board and the Executive Committee and a visit to our factory are also arranged.

Training is arranged to address specific development needs or areas of focus. Annual training is provided by the Company's NOMAD, Investec, on the AIM rules and the Market Abuse Regulation.

Corporate Governance Report continued**Board activities during the year**

The key areas of focus for the Board's activities and topics discussed during the year were as follows:

Strategic/governance pillar	Discussion topics
Strategic: continual technology development	<ul style="list-style-type: none"> – PGM strategy – Technology, research and development
Strategic: scalable manufacturing	<ul style="list-style-type: none"> – Production updates – Performance forecasts
Strategic: strong partners and relationships	<ul style="list-style-type: none"> – Motive joint venture with Vitol – £250 million capital fundraise – Procurement strategy and key procurement contracts – Marketing and communications strategy – Employee engagement, including the creation and cascade of shared objectives
Strategic: develop ITM Power Service	<ul style="list-style-type: none"> – Significant customer projects
Strategic: expert knowledge	<ul style="list-style-type: none"> – Recruitment of key personnel including Operations Director and Projects Director
Governance: financial	<ul style="list-style-type: none"> – Budget approval – The Group's banking facilities – Approval of full year results and Annual Report for FY21 – Approval of half year results for the six months ended 31 October 2021 – Views of investors and analysts – Approvals of capital spend above the threshold set by the Board
Governance: operations	<ul style="list-style-type: none"> – Workforce performance indicators including senior management and wider recruitment, analysis of workforce composition – Health and safety performance – Updates on ESG action plan progress
Governance: best in class	<ul style="list-style-type: none"> – Approval of the notice of AGM – Training on AIM and Market Abuse Regulation rules and obligations – QCA Code compliance – Board evaluation – Review of the terms of reference of the Nomination Committee and appointment of Katherine Roe to the Nomination Committee – Group risks

Scheduled meeting attendance¹

	Board ³	Audit Committee	ESG Committee	Nomination Committee	Remuneration Committee	Strategic Advisory Committee ⁵	Technology Management Committee ⁶
Chair of the Board							
Sir Roger Bone	5 (5)	6 (6)	n/a	2 (2)	n/a	n/a	n/a
Executive Directors							
Graham Cooley	5 (5)	n/a	2 (2)	2 (2)	n/a	n/a	n/a
Andy Allen	5 (5)	n/a	n/a	n/a	n/a	n/a	n/a
Simon Bourne	5 (5)	n/a	n/a	n/a	n/a	n/a	3 (3)
Rachel Smith	5 (5)	n/a	2 (2)	n/a	n/a	2 (2)	n/a
Non-Executive Directors							
Martin Green	4 (5)	6 (6)	n/a	n/a	4 (4)	2 (2)	n/a
Jürgen Nowicki	4 (5)	n/a	n/a	n/a	n/a	2 (2)	3 (3)
Tom Rae ²	1 (2)	n/a	n/a	n/a	n/a	1 (1)	3 (3)
Katherine Roe	5 (5)	n/a	2 (2)	1 (1) ⁴	4 (4)	n/a	n/a

1. The maximum number of scheduled meetings in the period during which the individual was a Board or Committee member is shown in brackets.

2. Tom Rae resigned from the Board on 16 November 2021.

3. A number of additional ad hoc meetings of the Board were held during the year to consider specific matters as they arose.

4. Katherine Roe joined the Nomination Committee from 6 December 2021.

5. Cosma Panzacchi, a representative of Snam, was also a member of the Strategic Advisory Committee, but not the Board. He attended two meetings during the year and was eligible to attend two meetings.

6. Marco Chiesa, a representative of Snam, is also a member of the Technology Management Committee, but not the Board. He attended three meetings during the year and was eligible to attend three meetings.

7. Denise Cockrem was appointed with effect from 25 July 2022 so did not attend any meetings during the year.

Corporate Governance Report continued

Board evaluation

To ensure its continued effectiveness, the Board undertakes a periodic evaluation of its performance and that of its Committees. It is committed to doing so every 18 to 24 months.

The last evaluation was undertaken in January 2022. The Chair of the Board led the process, with the support of the Company Secretary. A questionnaire was issued and the Chair of the Board then conducted an interview with each Board member. A qualitative assessment of key matters was performed, covering Board responsibilities, composition of the Board, engagement and input, strategy, information flows and meeting administration, performance monitoring, delegations, stakeholders and risk. The Board considered the outcomes and developed an action plan to address any improvements identified, which will be implemented during FY23.

It is expected the Company will conduct an externally facilitated process in due course.

2022 Board evaluation findings and actions

	Board composition	Committee remit	Induction	Governance
Findings	Consider future experience requirements on the Board	Technology Management Committee could be refocused to support future needs better	Induction processes curtailed during the COVID-19 pandemic	Authorities and delegations are in place and understood but are not kept in a single, easily referable repository
Actions taken	<ul style="list-style-type: none"> – Develop a skills matrix recording current skills and experience to help identify potential gaps – Recruit a NED with strong accounting experience 	<ul style="list-style-type: none"> – Review the remit of the Technology Management Committee to ensure it addresses our future needs 	<ul style="list-style-type: none"> – Develop a more formal induction programme for NEDs (see Induction and training on page 45) 	<ul style="list-style-type: none"> – Consolidate authorities and delegations in a single repository

Board Committees

There are six Committees of the Board. The work of the Audit and Remuneration Committees is discussed in the Audit Committee Report and the Remuneration Report respectively. The remit of each Committee is summarised below, with some additional detail provided about areas of focus during the year.

Audit Committee

Key duties and responsibilities

- Monitors the integrity of the Group’s financial statements and financial announcements
- Monitors the quality and effectiveness of internal controls and risk management systems
- Reviews arrangements for speaking up, detecting fraud and managing bribery risks
- Monitors internal audit or alternative arrangements
- Manages the external auditor relationship

Areas of focus during the year

- Full year results and Annual Report for FY21
- Half year results for the six months ended 31 October 2021
- External auditor: 2021 audit plan, effectiveness, independence, reappointment
- Risk management: risk register review, deep dives on key risks, creation of risk management function
- Internal audit: reviews of key controls and monitoring actions arising therefrom, creation of internal audit function
- Review of anti-fraud and bribery controls, including speak-up arrangements and the approach to hospitality, gifts and potential conflicts

Members

- Martin Green (Chair)
- Sir Roger Bone
- Denise Cockrem effective 25 July 2022

Supported by (by invitation)

- CEO
- CFO, Group Financial Controller and other members of the Finance team
- Risk and Assurance function – risk management and internal audit
- Other senior management including the Company Secretary
- External Auditor – Grant Thornton UK LLP



Read more:

- Audit Committee Report from page 51
- Anti-fraud and bribery policy on our website at <https://itm-power.com/sustainability>

Corporate Governance Report continued

ESG Committee

Key duties and responsibilities

- Leads the development of the Group’s ESG strategy, policies and programmes
- Responsible for the Group’s short- and long-term ESG objectives and reporting of key metrics
- Oversees compliance with relevant laws and regulations, including principles of good governance

Areas of focus during the year

- ESG strategy, actions and objectives
- ESG Report

Members

- Katherine Roe (Chair)
- Graham Cooley
- Rachel Smith

Supported by (by invitation)

- Senior management including the Company Secretary, Head of HR and Head of Investor Relations
- Good Business, a consultancy with more than two decades’ sustainability experience



Read more:

- Sustainable Energy, Engineered Sustainably from page 24
- ESG Report 2022 at <https://itm-power.com/investors/financial-reports>

Nomination Committee

Key duties and responsibilities

- Leads the process for Board appointments and succession planning, including considering the composition of the Board and its future requirements

Areas of focus during the year

- Succession planning for members of the Executive Committee and the Chair of the Board
- Skills and experience needed on the Board in the future
- Recruitment of an additional NED
- Reviewed its terms of reference and recommended changes to the Board
- Framework agreed for Committee activities

Members

- Sir Roger Bone (Chair)
- Graham Cooley
- Katherine Roe effective 6 December 2021

Supported by (by invitation)

- Russell Reynolds Associates, an executive search and leadership firm
- Company Secretary

Committee membership

Recognising the importance of independent oversight of Board appointments, the Nomination Committee recommended to the Board that Katherine Roe be invited to join the Nomination Committee as a member from 6 December 2021. The Board and Katherine supported this recommendation and Katherine joined the Nomination Committee.

Succession planning

We believe maintaining a well-balanced Board with the right mix of skills and experience is important to ensure our future success. This needs regular review to ensure:

- The skills and experience on the Board are the right ones to oversee and guide the delivery of our current and future strategy
- There is a plan to respond to any vacancy that may arise – whether anticipated or unexpected

To support this, and as an action from the Board evaluation process, a matrix was developed to identify the skills and experience needed to support our future plans. The Nomination Committee reviewed the matrix in light of the skills and experience on the Board, within the Group and available externally. It concluded that the Board was balanced with a good mix of skills and experience, with appropriate support from specialists within senior management and external advisors. It nevertheless identified some areas for consideration in any future recruitment activity. Feedback received as part of the Board evaluation process was also taken into consideration in developing the matrix and identifying future requirements. An overview of the skills and experience identified through this process is provided on page 43.

The Nomination Committee reviewed the succession plans for the members of the Executive Committee and the Chair of the Board during the year. It considered and agreed the plans for succession in an emergency situation as well as over the mid term and long term.

NED recruitment

With the departure of Tom Rae from the Board, the Nomination Committee considered the future needs of the Board. It consulted other members of the Board for their input and concluded it would be appropriate to appoint a further independent NED. A tender process was conducted to identify an external firm to support the recruitment process and Russell Reynolds Associates was chosen.

A candidate specification was drawn up with Russell Reynolds Associates, feeding in the input from other members of the Board. It was agreed there should be a focus on appointing someone with strong accounting and broader financial skills and experience as well as considering the Board’s commitment to increasing its gender and ethnic diversity. From the initial list of potential candidates identified by Russell Reynolds Associates, a shortlist was identified for interview by members of the Nomination Committee. They were assessed objectively against the candidate specification and further shortlisted for interview by the CEO and CFO. The feedback from all the interviews was considered and, from a strong field, a preferred candidate identified.

Corporate Governance Report continued

Denise Cockrem was appointed to the Board with effect from 25 July 2022 and was also appointed as a member of the Audit Committee. Denise brings to the Board a wealth of accounting and financial experience, encompassing financial planning and analysis, performance reporting and forecasting, financial controls, internal audit and risk management, from her current role as Chief Financial Officer of Ecclesiastical Insurance Office plc and previous finance roles in Good Energy Group plc, RSA Insurance Group, Direct Line – Retail Division and Royal Bank of Scotland. The Nomination Committee considered the other commitments of Denise and is satisfied they will not impair her ability to serve as an effective member of the Board and Audit Committee.

Russell Reynolds Associates provides no other services to ITM Power, but has been retained by Motive to support the search for new members of the senior management team. It is a founding member of the UK's Standard Voluntary Code of Conduct for Executive Search Firms and is one of the firms accredited under the Enhanced Code for its leading work on promoting board diversity.

Remuneration Committee

Key duties and responsibilities

- Determines the remuneration policy for the Chair of the Board and Executive Directors, aiming to support the strategy and long-term success of the Company
- Sets the performance conditions for awards granted under the terms of the LTIP
- Approves the remuneration packages of the Executive Directors, including grants of LTIP awards.

Areas of focus during the year

- Bonus pay outs for the Executive Directors for FY21
- Benchmarking Executive Directors' remuneration and revising salaries
- Setting performance targets for the annual bonus and for LTIP awards granted in the year
- Remuneration Report for FY21
- LTIP grants to Executive Directors
- Remuneration consultant review
- Review of leaver treatments under the Company's share plans

Members

- Katherine Roe (Chair)
- Martin Green

Supported by (by invitation)

- Chair of the Board
- CEO and CFO
- Other senior management including the Company Secretary
- Ernst & Young LLP provides independent advice to the Remuneration Committee



Read more:

- Remuneration Report on page 55

Strategic Advisory Committee

Key duties and responsibilities

- Advises the Board on key business development matters

Areas of focus during the year

- Anti-trust considerations
- ITM Power strategy and market environment
- Competitor landscape and positioning

Members

- Martin Green (Chair)
- Jürgen Nowicki
- Comsa Panzacchi to 1 July 2022/Piero Ercoli from 1 July 2022 (Snam representative)
- Rachel Smith

Supported by (by invitation)

- CEO, CTO and other senior management
- Linde, ILE and Snam provide market intelligence and competitor analysis to the Strategic Advisory Committee
- Company Secretary



Read more:

- Our Strategy and Our Business Model on pages 17 to 18
- Our Market from page 15
- Markets we serve: <https://itm-power.com/markets>

Corporate Governance Report continued

Technology Management Committee

Key duties and responsibilities

- Reviews the Group’s product portfolio and development plans
- Reviews the suitability of the portfolio, manufacturing capacity and planned developments to satisfy anticipated market developments
- Reviews requirements to meet the Group’s technology goal to be best-in-class

Areas of focus during the year

- Product and innovation roadmap
- Research and development focus areas
- Standardisation and homologation requirements
- Focus areas for value engineering

Members

- Jürgen Nowicki (Chair)
- Simon Bourne
- Marco Chiesa (Snam representative)

Supported by (by invitation)

- Senior management representing research and development and product management teams
- ILE and Snam:
 - Provide information to the Technology Management Committee about how ITM Power’s technology compares to competitor technologies
 - Recommend enhancements, product standardisation and product homologation requirements emerging in the market
- Company Secretary



Read more:

- Our Business Model on page 18
- Our electrolysers and how they work: <https://itm-power.com/products>

Where to find additional disclosures

Disclosure	Location
How we seek to engage shareholders	Stakeholders and Section 172 Statement from page 19
Outcomes of votes at general meetings	Regulatory news announcements on our website: https://itm-power.com/investors/news
Response to significant proportion of votes against a resolution at any general meeting	Shareholder documents, under Notices and circulars, on our website: https://itm-power.com/investors/shareholder-documents
Historical annual reports	Financial and ESG reports on our website: https://itm-power.com/investors/financial-reports
Notices of general meetings	Shareholder documents, under Notices and circulars, on our website: https://itm-power.com/investors/shareholder-documents
Articles of Association	Shareholder documents, under Articles of Association, on our website: https://itm-power.com/investors/shareholder-documents
Admission documents	Shareholder documents, under Admission documents, on our website: https://itm-power.com/investors/shareholder-documents
Information required to comply with AIM Rule 26	AIM Rule 26 on our website: https://itm-power.com/investors/aim-rule-26

Audit Committee Report

Introduction from the Chair of the Audit Committee

Our focus during the year was on supporting the Board's approval of the financial statements and overseeing the services provided by the external auditor in relation to those financial statements.

Dear shareholder

As Chair of the Audit Committee, I am pleased to present the Audit Committee's report for FY22. This report is intended to explain how the Committee has met its responsibilities throughout the year.

Committee members, meetings and support

We were grateful for the support of the Nomination Committee in identifying Denise Cockrem to join the Board and the Audit Committee in July 2022. Denise's expertise in accounting and finance will further enhance our experience and support our work.

The Audit Committee's full membership is provided on page 47 along with details of those that supported the Audit Committee during the year.

Attendance at scheduled meetings during the year is provided on page 46.

Areas of focus during the year

Our focus during the year was on supporting the Board's approval of the financial statements and overseeing the services provided by the external auditor in relation to those financial statements. The Audit Committee also performed certain risk management and internal audit functions. We also reviewed the anti-fraud and bribery controls, including speak-up arrangements and the approach to hospitality, gifts and potential conflicts.

Given the increasing scale, diversity and complexity of ITM Power, we identified the importance of enhancing the risk management processes within the organisation. We also agreed with management the time was right to create an internal audit function. It was agreed a new Risk and Assurance function would be created, with responsibility for risk management and internal audit. More information is provided later in the Audit Committee Report.

Availability to shareholders

I am available to shareholders to answer any questions on the work of the Audit Committee.

Martin Green

Chair of the Audit Committee
14 September 2022

Audit Committee Report continued**Composition of the Audit Committee**

In line with best practice, the Board is satisfied that all members of the Audit Committee are independent.

Denise Cockrem has a particular expertise in accounting and finance, as demonstrated through her career. Her current role as Chief Financial Officer of Ecclesiastical Insurance Office plc and previous finance roles in Good Energy Group plc, RSA Insurance Group, Direct Line – Retail Division and Royal Bank of Scotland have enabled her to develop skills and experience encompassing financial planning and analysis, performance reporting and forecasting, financial controls, internal audit and risk management.

Both Martin Green and Sir Roger Bone are considered to have a broad range of financial experience. Martin previously had responsibility for the financial performance of a portfolio of Johnson Matthey businesses, while Sir Roger previously acted as a Non-Executive Director, Senior Independent Director and member of the Audit Committee of the F&C Investment Trust, which has a portfolio of over £4 billion.

Significant accounting judgements and estimates

The Audit Committee considered the significant accounting judgements and estimates ahead of each market announcement regarding ITM Power's results. The areas in which the Audit Committee was required to exercise significant judgement during the year were:

Accounting area	Key financial impact(s)	Audit Committee considerations
Stock obsolescence	No material difference	The Audit Committee considered and approved a change in stock obsolescence accounting to better reflect the status of stock. We now review on a part-by-part basis whether or not there is demand for a stock item (for example, in our products, for product development, or for maintenance purposes). Where there is no forecast demand, the item is provided for in full.
Depreciation	Losses reduced by £0.5 million	On the recommendation of management, the Audit Committee considered the nature of the equipment being bought (especially for Bessemer Park) and the maturity of products and agreed a revised approach that would allow for a longer economic life of deployed capital items.
Contract accounting and provisions	Provisions for contract loss increased in year from £4.82 million to £12.5 million (see Note 22 to the Consolidated Financial Statements)	The Audit Committee considered management's forecasting of costs to complete projects. It agreed with management's approach of basing provisions on the best estimates of management aligned with information known at the time to ensure the forecast cost to completion is appropriate. It reviewed and challenged management's estimates during the year. Any expected losses are recognised immediately through profit and loss.

Annual Report for FY22

The Audit Committee reviewed the Annual Report and provided feedback. It considered whether ITM Power's position, strategic approach and performance during the year were portrayed fairly and in a balanced way throughout the Annual Report and aligned with the financial statements. The Audit Committee had regard to the findings and judgements of the external auditors.

External audit

The Audit Committee has responsibility and oversight of the Group's relationship with its external auditor, Grant Thornton UK LLP, and for assessing the effectiveness of the external audit process. Grant Thornton UK LLP was appointed as the external auditor in 2017 and the lead audit partner is David White.

The Audit Committee agreed the approach and scope of the audit work to be undertaken by Grant Thornton UK LLP for the financial year. It also reviewed Grant Thornton UK LLP's terms of engagement and the fees payable in respect of audit and non-audit services to ensure they are appropriate and reflect performance. Details of the amounts paid to the external auditor are provided in Note 7 to the Consolidated Financial Statements.

Grant Thornton UK LLP provided the Audit Committee with regular reports on the status of the audit, its assessment of the agreed areas of audit focus and findings, and conclusions to date.

The Audit Committee reviewed the experience and expertise of the audit team, the fulfilment of the agreed audit plan and any variations to it, feedback from ITM Power's management and the contents of the external audit report.

Audit Committee Report continued

The Audit Committee confirmed its satisfaction with the effectiveness of the external auditor.

Audit quality review

During the year, an Audit Quality Review Team (AQRT) from the Financial Reporting Council undertook an inspection of Grant Thornton UK LLP's audit of the financial statements for FY21. As part of that process, the Chair of the Audit Committee spoke with the AQRT to share the Audit Committee's perspective on the quality of Grant Thornton UK LLP's audit. On completion of the review, the Audit Committee received the AQRT's final report on its inspection and the Chair of the Audit Committee discussed it with the audit partner. The report gave the Audit Committee no concerns over the quality, objectivity or independence of the audit.

External auditor independence

The continued independence of the external auditor is important for an effective audit. The Audit Committee has a policy regarding the use of the external auditor for non-audit services. The external auditor may only be engaged for non-audit services exceptionally and only with the approval of the Audit Committee. The external auditor may not undertake any work that may compromise its independence or is otherwise prohibited by any law or regulation.

The Audit Committee received a statement of independence from Grant Thornton UK LLP in September 2022 confirming that, in its professional judgement, it is independent and has complied with the relevant ethical requirements regarding independence in the provision of its services. The report described Grant Thornton UK LLP's arrangements to identify, manage and safeguard against conflicts of interest.

The Audit Committee reviewed the scope of the non-audit services undertaken by Grant Thornton UK LLP during the year, to ensure there was no impairment of judgement or objectivity, and monitored the non-audit work performed to ensure it remained within the agreed policy guidelines. It also considered the extent of non-audit services provided to ITM Power. Non-audit fees paid to Grant Thornton UK LLP were for interim agreed upon procedures/review work and assurance work for the capital fundraise, both of which it was appropriate for the external auditor to undertake given its knowledge of the Group and the need for independent assurance. They represented 51% (£180,000) of the total audit and non-audit fees paid (£350,000). The Audit Committee determined, based on its evaluation, that the external auditor was independent.

Reappointment of the external auditor

The Audit Committee has responsibility for making a recommendation to the Board regarding the reappointment of the external auditor. As part of its review process, the Audit Committee typically considers auditor rotation at least every five years, unless the annual performance review identifies a reason to rotate earlier.

Based on its continued satisfaction with the audit work performed to date and Grant Thornton UK LLP's continued independence, the Audit Committee has recommended to the Board, and the Board has approved, that Grant Thornton UK LLP be proposed for reappointment by shareholders as ITM Power's external auditor at the 2022 AGM.

Internal audit

In accordance with its terms of reference, the Audit Committee has considered annually whether there is a need for an internal audit function. During the year, it agreed with management that the growth of ITM Power, and the scale, diversity and complexity of its activities, warranted the creation of an internal audit function. A Head of Risk and Assurance was appointed to lead the risk management and internal audit functions with preparatory plans for their implementation being developed.

The Audit Committee therefore undertook certain assurance activities around critical risks and key controls during the year, in the absence of an internal audit function. This included presentations from management at Audit Committee meetings, and in-depth reviews with management outside Audit Committee meetings. The outcomes of the reviews were discussed at Audit Committee meetings and, where appropriate, recommendations were made to management.

Implementation of those recommendations was then monitored.

A handover of responsibilities from the Audit Committee to the internal audit function will take place during the next financial year. The Audit Committee's role will then be to:

- Monitor and review the effectiveness of the internal audit function
- Approve the appointment and removal of the head of the internal audit function
- Consider and approve the remit of the internal audit function and ensure it has adequate resources and appropriate access to information
- Ensure the internal audit function has adequate standing and is free from management or other restrictions
- Review and approve the annual internal audit plan
- Review promptly all reports from the internal auditors
- Review and monitor management's responsiveness to the findings and recommendations of the internal auditors

Internal control and risk management

A key role of the Audit Committee is to monitor the effectiveness of the internal financial controls and the internal controls and risk management systems.

The Board, on the recommendation of the Audit Committee, considers that the internal controls in place are appropriate for our size, complexity and risk profile. Given our rapid growth, this remains under active review.

Audit Committee Report continued

Internal financial controls

We have an established framework of internal financial controls, the effectiveness of which is periodically reviewed by each of the Board and the Executive Committee, as well as the Audit Committee. There are procedures in place for budgeting and forecasting; for monitoring and reporting business performance against those budgets and forecasts; and for projecting expected performance over the financial year.

Responsibilities are separate and defined:

- The Board is responsible for reviewing and approving our overall strategy, corporate objectives, financial strategy, the annual budget, and capital fundraising. It receives periodic financial reports, tracking budget and forecasts.
- The Audit Committee reviews key financial controls throughout the year. It has responsibility for monitoring the integrity of the financial reporting of the Company and for ensuring internal financial controls are sufficiently robust and appropriate.
- The Executive Committee retains day-to-day responsibility for financial performance and has internal financial reporting processes in place.
- The Group’s Financial Controller oversees budgeting, cash flow forecasts and financial statements and the operation of the Group’s financial systems, working with ITM Power’s auditors. Internal controls and financial systems transformation are the responsibility of other members of the Finance team.

Non-financial controls

We recognise that maintaining sound controls and discipline are critical to managing the risks to our strategy. The Board has ultimate responsibility for the Group’s system of internal control and for reviewing its effectiveness.

The CFO has day-to-day responsibility for ensuring internal controls remain appropriate. He reports to the Executive Committee on operational changes required.

Day-to-day activities are closely managed by the Executive Directors. There is detailed monthly reporting of performance against our corporate objectives, project schedules, budget, risks and expected performance, and operational needs. These are key to the success of the internal management and control system.

We continue to increase our commercial operations, including investing in new manufacturing facilities.

We also continue to make appropriate senior appointments to support our business plan and address the resulting operational needs and risks.

Risk management

The Audit Committee is also required under its terms of reference to conduct an annual formal review into risk management and review the effectiveness of risk management systems. In the absence of a separate risk management function, it has performed certain risk management activities. These included detailed reviews of the most significant risks and oversight of the risk register as well as input into and approval of risk disclosures included in the Annual Report.

Recommendations were made to management where considered appropriate and developments were monitored.

During the year, it agreed with management that ITM Power had reached a stage of development where it was appropriate to create a risk management function. A Head of Risk and Assurance was appointed to lead the risk management and internal audit functions with preparatory plans for their implementation being developed.

A handover of responsibilities from the Audit Committee to the risk management function will take place during the next financial year. The Audit Committee’s role will then be to:

- Review the effectiveness of the risk management systems
- Conduct a formal review into risk management
- Review and approve the statements included in the Annual Report regarding risk

Speaking up

The Audit Committee is responsible for reviewing arrangements for employees and third parties to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters.

There are established ways to raise concerns. These include options to contact a line manager, the Legal Compliance Manager, the Risk and Assurance team or the Company Secretary. As of June 2022, we also offer a service via a third party, Safecall, through which confidential, anonymous reporting is available.

When someone speaks up, an initial assessment is carried out to determine the scope of any investigation. Where appropriate, a full investigation is instigated. If appropriate, subject matter experts are used to support the investigation. In particularly serious cases, the matter may be escalated to the Chair of the Audit Committee, the Chair of the Board, or our external auditor.

Anyone who raises an honest concern, even if they turn out to be mistaken, is protected from retaliation and detrimental treatment.

The Audit Committee receives and considers reports from management and, in future, Safecall regarding concerns raised and provides the Board with key information for its consideration as appropriate. There were no whistleblowing matters raised during the year.

Where to find additional disclosures

Disclosure	Location
Attendance at Audit Committee meetings	Meeting attendance table in the Corporate Governance Report on page 46
External auditor’s report	Independent Auditor’s Report to the Members of ITM Power PLC on pages 72 to 77
Fees paid to the external auditor	Note 7 to the Consolidated Financial Statements

Remuneration Report

Introduction from the Chair of the Remuneration Committee

The focus of the Remuneration Committee during the year was on setting the appropriate remuneration levels for the Executive Directors.

Dear shareholder

As Chair of the Remuneration Committee, I am pleased to present the Remuneration Report for FY22. This report is intended to explain how the Remuneration Committee has met its responsibilities throughout the year and to provide information about the remuneration received by Directors.

As a company admitted to trading on AIM, our directors' remuneration report does not have to comply with the requirements of Schedule 8 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended). Nevertheless, we have aligned our remuneration reporting with these requirements as far as possible, but we may not provide all the information required under the regulations.

Committee members, meetings and support

The Remuneration Committee's full membership is provided on page 49 along with details of those that supported the Remuneration Committee during the year.

Attendance at scheduled meetings during the year is provided on page 46.

Remuneration principles

The overarching principles we apply in our approach to remuneration are:

- To ensure overall remuneration is set at a competitive level against our peer group enabling us to attract and retain high-calibre employees with the required skills to execute our strategy.
- Take 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.
 - Consider the requirements for clarity, transparency, risk mitigation, predictability, proportionality and alignment to culture.

Performance during the year

The Remuneration Committee's decisions for the year were made against the following backdrop:

- Revenues that were lower than expected for the year. The Group had expected to be able to recognise the revenue from the sale, via Linde to Leuna, of 24 MW of electrolyser products, but this was delayed.
- Cost overruns on both the REFHYNE I and Leuna projects adversely affected gross margin. This, along with additional investments to enable production ramp up at Bessemer Park, led to an increased loss before tax.
- Cash burn that increased compared to the prior year. This reflected increased product development spend, an increase in inventory build and additional production equipment to support the production ramp up at Bessemer Park.

Full details are provided in the CFO's Review on page 12.

Remuneration Report continued**Areas of focus during the year**

The focus of the Remuneration Committee during the year was on setting the appropriate remuneration levels for the Executive Directors. This included reviewing their base salaries as well as setting award levels and performance targets for the annual bonus and awards granted under the terms of the LTIP. The CEO and Chair of the Board also reviewed the fees paid to the Non-Executive Directors.

Following a benchmarking exercise conducted in June 2021, the Remuneration Committee decided to increase the base salaries of the Executive Directors. A similar benchmarking exercise was conducted in June 2022, which the Remuneration Committee fed into its considerations of remuneration packages for the Executive Directors. Taking into account the significant increases to base salary implemented for Executive Directors from 1 July 2021, the performance of the business and the approach taken to pay rises in the wider workforce, the Remuneration Committee decided not to increase salaries in the summer of 2022. More information is provided later in the Remuneration Report.

The Remuneration Report for FY21 was put to an advisory vote at our 2021 AGM. Following the 28.70% vote against its approval, as well as shareholder feedback received, we engaged with shareholders to discuss their concerns. The majority of the concerns related to the increases to Executive Director base salaries and the exceptional incentive awards granted during the year.

The Remuneration Committee noted the feedback from shareholders and responded to those shareholders who raised concerns with further details regarding the approach taken. It confirmed it did not expect to grant further exceptional incentive awards in recognition of future fundraising exercises. It will continue to consult with shareholders and take their views into account. The views of our shareholders will continue to be an important factor in informing the decisions of the Remuneration Committee and the Remuneration Committee will balance these views against the need to retain and motivate the current executive team, who have been instrumental in the Company's performance to date.

Annual bonus outcomes

The Remuneration Committee carefully reviewed the formulaic outcome of the annual bonus and then whether the formulaic outcome was aligned to the underlying strength of results, the execution of strategic priorities, pay practices and outcomes for the wider workforce, and the returns to investors during the year. Overall, it was concluded that it was appropriate to recognise the achievements of the Executive Directors and so the Remuneration Committee made no adjustment to the formulaic outcome, which equated to a pay out of 16% of the maximum opportunity. More detail of the Remuneration Committee's assessment is provided on page 63.

Availability to shareholders

I am available to shareholders to answer any questions on the work of the Remuneration Committee. On behalf of the Remuneration Committee, I would like to place on record our appreciation to our shareholders for their constructive input throughout the year.

Katherine Roe

Chair of the Remuneration Committee
14 September 2022

Remuneration Report continued

Overview of the Executive Director remuneration policy

Remuneration element	Purpose and link to our strategy	Operation	Maximum opportunity	Performance framework	Implementation	
					2021/22	2022/23
Fixed pay						
Base salary	To ensure we can recruit and retain high-calibre executives.	Paid monthly in arrears by bank transfer. No recovery provisions apply to base salary.	No maximum.	A number of factors are considered when setting base salary levels, including market rates, benchmarking to peers, individual Director's experience, responsibilities and performance.	Executive Directors received pay rises with effect from 1 July 2021 taking their base salaries to: Graham Cooley – £420,000 Andy Allen – £300,000 Simon Bourne – £300,000 Rachel Smith – £230,000	No proposed changes.
Pension provisions	To attract and retain talent through the provision of attractive retirement benefits.	Monthly payments into a defined contribution or similar pension scheme or, in agreed circumstances, a cash allowance in lieu of pension contributions. No recovery provisions apply to pensions.	A contribution into the Group's defined contribution pension arrangement no higher than that offered to the wider workforce. No maximum for any cash allowance.	Not applicable.	Graham Cooley – cash allowance in lieu of pension. Other Executive Directors – contributions to their pensions equivalent to 5% of base salary (before any salary exchange).	Graham Cooley – no proposed changes. Other Executive Directors – from 1 July 2022, contributions to their pensions equivalent to 7% of base salary (before any salary exchange).
Benefits	To assist in attracting and retaining employees in a cost-effective way.	May include private medical insurance, sick pay, a fully expensed car (or equivalent cash allowance), disability and life assurance cover. Some benefits may be provided in the case of relocation, such as removal expenses and, in the case of international relocation, might also include items such as cost of accommodation, children's schooling, home leave, tax equalisation and professional advice. The tax payable (grossed up) on any business expenses captured as taxable benefits may also be reimbursed. No recovery provisions apply to benefits.	Not applicable.	Not applicable.	No Executive Directors received taxable benefits.	No proposed changes.

Remuneration Report continued

Remuneration element	Purpose and link to our strategy	Operation	Maximum opportunity	Performance framework	Implementation	
					2021/22	2022/23
Variable pay						
Annual bonus	To incentivise Executive Directors to deliver strategic and financial success.	<p>An annual bonus scheme with measures and performance targets set by the Remuneration Committee.</p> <p>Paid in cash. Pay out determined after the end of the financial year following the Remuneration Committee's assessment of performance relative to targets and objectives.</p> <p>Annual bonus payments do not form part of pensionable earnings and are non-contractual.</p> <p>The Remuneration Committee retains discretion in exceptional circumstances to adjust the targets and/or set different measures and alter weightings if certain events occur that cause it to determine they are no longer appropriate. The Remuneration Committee will ensure any revisions to targets are not materially less difficult to satisfy.</p> <p>All payments are at the ultimate discretion of the Remuneration Committee and it retains an overriding ability to ensure that overall bonus payments are appropriate and reflect corporate performance.</p>	Capped at 100% of base salary for the CEO and 60% of base salary for other Executive Directors.	Specific annual targets based on clear and measurable objectives that underpin, and are key to the achievement of, the Group's strategy.	Executive Directors received the following bonus payments: Graham Cooley – £67,200 (16% of base salary) Andy Allen – £28,800 (9.6% of base salary) Simon Bourne – £28,800 (9.6% of base salary) Rachel Smith – £22,080 (9.6% of base salary)	<p>No change to 2021/22 award levels.</p> <p>Executive Directors have the following bonus opportunities, as a percentage of salary: Graham Cooley – 100% Andy Allen – 60% Simon Bourne – 60% Rachel Smith – 60%</p>
LTIP	To align the long-term interests of shareholders and management and reward achievement of stretching long-term targets.	<p>Any awards granted are subject to a three-year vesting period and stretching performance targets.</p> <p>All vesting is at the ultimate discretion of the Remuneration Committee and the Remuneration Committee retains an overriding ability to ensure that vesting reflects its view of corporate performance over the set period.</p> <p>The Remuneration Committee retains discretion in exceptional circumstances to adjust the targets and/or set different measures and alter weightings if certain events occur that cause it to determine they are no longer appropriate. The Remuneration Committee will ensure any revisions to targets are not materially less difficult to satisfy.</p> <p>Malus and clawback provisions apply in cases of material financial misstatement, conduct that results (or is reasonably likely to result) in significant reputational damage to the Company, negligence or misconduct, or fraud.</p>	Capped at 100% of base salary plus an uplift to cover Employer's National Insurance Contributions, which are passed on to the participant as permitted under UK legislation.	Specific targets based on clear, stretching and measurable objectives that underpin, and are key to the achievement of, the Group's long-term strategy.	All Executive Directors were granted an award equivalent to 100% of base salary, uplifted to reflect the payment by the recipient of Employer's National Insurance Contributions.	All Executive Directors are expected to be granted an award equivalent to a maximum of 100% of base salary, uplifted to reflect the payment by the recipient of Employer's National Insurance Contributions.

Remuneration Report continued

Remuneration element	Purpose and link to our strategy	Operation	Maximum opportunity	Performance framework	Implementation	
					2021/22	2022/23
Share ownership						
All-employee share plans	To encourage share ownership across the organisation.	Executive Directors can participate in the UK Buy As You Earn plan (BAYE) on the same basis as other employees in the organisation.	Executive Directors are subject to the same maximums as all other employees who participate in the BAYE.	Not applicable.	The Company offered the BAYE throughout the year. All Executive Directors participated in the BAYE at the maximum level throughout the year.	The Company intends to offer the BAYE throughout the year. All Executive Directors are expected to continue their participation in the BAYE at the maximum level throughout the year.
Share ownership guidelines/ requirements	To build and maintain a shareholding to align their interests with those of shareholders.	Levels are set in relation to earnings and according to the post held in the Group. It is expected that Executive Directors will build up to the required level 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 other deductions, and/or shares purchased in their own right. Vested but unexercised options are included in the shareholding total at the date of vesting, adjusted for the exercise price, tax and any other deductions. When the options are exercised, the vesting calculation is reversed and the shares retained on exercise are included instead.	Executive Directors are expected to build and maintain a minimum shareholding equivalent to 100% of base salary.	Not applicable.	All Executive Directors met the shareholding guideline.	All Executive Directors are expected to continue to meet the shareholding guideline.
Alignment with the wider workforce						
The remuneration 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.		All staff may be considered for awards under the LTIP and all UK staff may participate in the BAYE after completing six months' qualifying service. This is intended to encourage share ownership in the Company and align the management team and all staff with the strategic business plan.		Until June 2022, a contribution of 5% of base salary was available to the majority of the UK workforce. From July 2022 this was increased to 7% of base salary for all eligible employees, including the Executive Directors.		
Salaries are reviewed annually with regard to the same factors as those considered for Executive Directors. Pay rises for the wider workforce, excluding the Executive Directors, were implemented with effect from 1 July 2022 at a rate of £2,000 plus 0.8% of base salary.		Eligibility for and provision of benefits and allowances varies by level and local market practice.				

Remuneration Report continued

Overview of the Chair of the Board and Non-Executive Director remuneration policy

Remuneration element	Purpose and link to our strategy	Operation	Maximum opportunity	Performance framework	Implementation	
					2021/22	2022/23
Fees	To ensure we can attract and retain experienced and skilled Non-Executive Directors able to advise and assist with establishing and monitoring the strategic objectives.	<p>Paid monthly in arrears by bank transfer.</p> <p>Fees for the Chair of the Board are determined by the Remuneration Committee. Fees for other NEDs are determined by the CEO and Chair of the Board.</p> <p>Any Director representing a shareholder on the Board is paid by the shareholder, not the Group.</p>	Fee increases for NEDs will not normally exceed average base salary increases across the Group.	The Remuneration Committee considers a number of factors, including market rates, benchmarking to peers and the time commitment expected.	<p>Chair of the Board: £150,000.</p> <p>NED base fee: £51,000.</p> <p>Additional fee for chairing the Audit, ESG, Remuneration or Strategic Advisory Committees: £10,000 per Committee chaired.</p> <p>Tom Rae and Jürgen Nowicki received no fees.</p>	No proposed changes.
Expenses	Not applicable.	<p>Reasonable expenses are reimbursed.</p> <p>The tax payable (grossed up) on any business expenses captured as taxable benefits may also be reimbursed.</p> <p>Expenses incurred for advice in respect of UK tax returns for non-UK NEDs may be reimbursed.</p>	Not applicable.	Not applicable.	Not applicable.	Not applicable.
Share ownership guidelines/ requirements	To build and maintain a shareholding to align their interests with those of shareholders.	NEDs are encouraged to build and maintain a shareholding.	Not applicable.	Not applicable.	Not applicable.	Not applicable.

Remuneration Report continued

Annual report on remuneration

Remuneration outcomes for FY22

The following pages set out details of the remuneration received by Directors for FY22. Prior year figures have also been shown. The Remuneration Report has not been audited.

The Directors' remuneration in the year was awarded in line with the remuneration policy.

Single total figure of remuneration for each Director

	Year ended 30 April	Base salary and fees (£)	Pension-related benefits (£)	Annual bonus (£)	Long-term incentive awards (£)	Total (£)	Total fixed remuneration (£)	Total variable remuneration (£)
Executive Directors								
Graham Cooley, CEO	2022	376,639	28,000	67,200	3,938,000	4,409,839	404,639	4,005,200
	2021	285,053 ³	28,000	248,861	2,600,000 ³	3,161,914	313,053	2,848,861
Andy Allen, CFO	2022	275,988	13,799	28,800	1,312,669	1,631,256	289,787	1,341,469
	2021	149,188 ³	7,459 ³	82,640	866,666 ³	1,105,953	156,647	949,306
Simon Bourne, CTO	2022	288,393	14,420	28,800	2,297,169	2,628,782	302,813	2,325,969
	2021	222,438 ³	11,122 ³	145,127	1,516,666 ³	1,895,353	233,560	1,661,793
Rachel Smith, Services Director	2022	216,439	10,822	22,080	1,640,839	1,890,180	227,261	1,662,919
	2021	149,182 ³	7,459 ³	82,540	1,083,332 ³	1,322,513	156,641	1,165,872
Non-Executive Directors								
Sir Roger Bone, Chair	2022	139,167	–	–	–	139,167	139,167	–
	2021	82,500	–	–	–	82,500	82,500	–
Martin Green	2022	68,333	–	–	–	68,333	68,333	–
	2021	53,333	–	–	–	53,333	53,333	–
Jürgen Nowicki ¹	2022	–	–	–	–	–	–	–
	2021	–	–	–	–	–	–	–
Tom Rae ^{1,2}	2022	–	–	–	–	–	–	–
	2021	–	–	–	–	–	–	–
Katherine Roe	2022	68,333	–	–	–	68,333	68,333	–
	2021	52,814	–	–	–	52,814	52,814	–

1. Shareholder nominated Directors receive no fees from the Company.

2. Tom Rae was appointed effective 3 December 2020 and resigned effective 16 November 2021.

3. Base salary and pension-related benefits from the prior financial year have been restated to reflect corrected data. Long-term incentive awards from the prior financial year have been restated on the basis of awards that vested in the year instead of awards that were exercised in the year (more detail is provided in the notes below).

Remuneration Report continued**Notes to the single figure table for Executive Directors****Base salary**

Base salary refers to salary before any salary exchange (for example, for pension contributions or BAYE participation).

A benchmarking exercise was conducted in June 2021, which reconfirmed the output of the benchmarking conducted in 2020, showing that executive remuneration was positioned below the lower quartile of comparably-sized organisations. The Remuneration Committee considered this alongside other factors and ultimately agreed to accelerate the planned base salary increases from a three-year to a two-year period.

A similar benchmarking exercise was conducted in June 2022. The Remuneration Committee considered the benchmarking alongside the following factors in considering the remuneration of the Executive Directors:

- That shareholders would expect care and discretion to be used in judging to what extent, and over what timeframe, adjustments should be made, recognising that significant increases had been implemented in the prior year
- Its remuneration principles, including the need to ensure its policy remains competitive and retains key talent
- The performance of the Executive Directors
- The approach taken to remuneration in the wider workforce

Base salaries for the Executive Directors will therefore remain unchanged from 1 July 2022:

Name	Base salary from 1 July 2021	Base salary from 1 July 2022
Graham Cooley, CEO	£420,000	£420,000
Andy Allen, CFO	£300,000	£300,000
Simon Bourne, CTO	£300,000	£300,000
Rachel Smith, Services Director	£230,000	£230,000

Pension

During the year, the Group paid contributions to the pensions of Andy Allen, Simon Bourne and Rachel Smith equivalent to 5% of base salary (before any salary exchange). The value stated represents the value of the Group's contribution and does not reflect any contribution made by the individual concerned through salary exchange. From 1 July 2022, pension contributions were increased to 7% of base salary (before any salary exchange) in line with the wider workforce.

Graham Cooley received a cash allowance in lieu of pension contributions of £28,000. The Group has a contractual agreement with him that this payment relieves the Group of any liability for pension provision for him.

Annual bonus

The annual bonus is the cash value of the annual bonus paid in respect of the year. It is based on the annual base salary (before any salary exchange) as at 1 July in the relevant financial year.

The Remuneration Committee's assessment of performance in FY22 is set out overleaf.

The Remuneration Committee takes into consideration wider performance before approving the formulaic outcomes from the incentive plans and applies its judgement by exercising upwards or downwards discretion when appropriate to do so. To assist it in determining whether adjustments are necessary, the Remuneration Committee applies a framework which considers performance from multiple perspectives including the underlying strength of results, the execution of strategic priorities, pay practices and outcomes for the wider workforce, and the returns to investors during the year.

In the year under review, the business demonstrated its resilience as the economy started to recover from the pandemic. In particular, the Committee noted the success in securing the Motive partnership with Vitol. Following a holistic review of performance, the Committee was satisfied that the bonus outcomes were appropriate and that no adjustment to the formulaic outcome was necessary.

Annual bonuses payable to the Executive Directors for FY22 were paid fully in cash as follows:

Name	Maximum potential % of base salary	% of base salary achieved	Cash payment
Graham Cooley, CEO	100%	16%	£67,200
Andy Allen, CFO	60%	9.6%	£28,800
Simon Bourne, CTO	60%	9.6%	£28,800
Rachel Smith, Services Director	60%	9.6%	£22,080

Remuneration Report continued

The annual bonus for FY23 will operate on similar terms to the prior year. The performance target categories (and associated weightings) are: financial (50%), technology and operational (20%), business development (20%) and ESG (10%). The performance targets are measurable, challenging and subject to rigorous review by the Remuneration Committee. Subject to commercial sensitivity, we intend to provide an overview of the Remuneration Committee's assessment of performance against the underlying targets in next year's report.

Assessment of performance for FY22 bonus

Category	Metric	Weighting	Target	Performance assessment	Pay out
Financial	Sales	15%	£31.97m	Revenue was £5.6 million and so this target was not met.	0%
	Gross margin	15%	£1.78m	As the Group made a loss, this target was not met.	0%
	Overheads	10%	£24.34m	A target of £24.34 million net overheads was set at the beginning of the year. We changed the way we recharged overheads during the year. The Remuneration Committee therefore measured the net overheads on the same basis on which recharges were being calculated at the start of the year, and on which basis the target had been set. This target was not met.	0%
	Cash burn	10%	£39.07m	A cash burn target of £39.07 million was set. As cash burn was £53.3 million, this target was not met.	0%
Strategy	Production, supply chain, product and markets	15%	See performance assessment	<p>Targets associated with the following were not met:</p> <ul style="list-style-type: none"> – Securing new factory space – Implementing additional automation – Securing certain accreditations for products outside the UK and Europe <p>Work to address supply chain risks connected to key components within our products was partially completed in the year.</p>	3%

Category	Metric	Weighting	Target	Performance assessment	Pay out
ESG	ESG, health and safety	15%	See performance assessment	<p>The ESG Committee provided a qualitative review of ESG performance during the year. Good progress was made on embedding ESG activities and implementing structures to support future work. Our website was improved significantly during the year, improving our communication with stakeholders including investors, and our first ESG Report was well-received.</p> <p>We achieved ISO 9001, ISO 45001 and ISO 14001 accreditation during the year, but work continues to embed a behavioural approach to health and safety.</p>	10%
Business development	Order intake	20%	223 MW	A target was set to generate orders that would drive sales in the next financial year. This target was partially met.	3%
Total					Total 16%

Remuneration Report continued

Long-term incentive awards

ITM Power PLC Share Option Plan: EMI and Unapproved (SOP)

The SOP was introduced in 2010. Options were granted under the SOP as follows:

- EMI options granted under the SOP vested in three equal instalments on the first, second and third anniversaries of the date of grant and may be exercised up to the tenth anniversary of the date of grant
- Unapproved options granted under the SOP before 2019 vested in three equal instalments on the first, second and third anniversaries of the date of grant and may be exercised up to the tenth anniversary of the date of grant
- Unapproved options granted under the SOP in 2019 vest on the third anniversary of the date of grant and may be exercised up to the tenth anniversary of the date of grant

There are no performance conditions for EMI options or unapproved options granted under the SOP.

No consideration is payable for the grant of awards under the SOP. The exercise price is the mid-market price of shares on AIM at the close of trading on the day before the grant of options.

No further awards will be granted under this plan.

The long-term incentive award value shown in the Single total figure of remuneration for each Director relates to the value of awards granted under the terms of the SOP that vested in the year. The stated value is calculated based on the number of shares that vested multiplied by the mid-market closing price for a share on the date of vesting. As explained in the note to the table, the value for FY21 has been restated. The FY21 value is now based on the options that vested during the year, rather than the value of options that were exercised during the year. The values in the table for both FY21 and FY22 reflect (i) the value of one third of the total share award granted in 2018, when our share price was significantly lower (around 30 pence per share), and (ii) the fact that the options were not subject to performance conditions.

Details of outstanding options granted under the SOP are provided in the Statement of directors' shareholding and share interests on page 66.

LTIP

The LTIP was introduced in 2020, when use of the SOP was discontinued. Vesting of awards occurs on the third anniversary of the date of grant, subject to continued employment and satisfaction of performance conditions. Performance conditions are set by the Remuneration Committee and awards granted to the wider workforce are subject to the same performance conditions as those applied to the Executive Directors. The performance conditions set stretching targets to drive future performance, aligned with our long-term strategy.

The Remuneration Committee may, in its discretion, adjust downwards the extent to which an award shall vest (including to zero) where overall Company performance over the duration of the performance period has not been deemed to be satisfactory.

Shares granted to Executive Directors under the terms of the LTIP are subject to a two-year holding period from the vesting date to the fifth anniversary of the date of grant. The holding period does not apply to the wider workforce.

Executive Directors were granted a LTIP award of 100% of base salary during the year plus an uplift to cover Employer's National Insurance Contributions, which are passed on to the participant as permitted under UK legislation. No consideration is payable for the grant of awards under the LTIP, which are structured as nominal cost options meaning the exercise price is £0.05 per share. The number of shares awarded was calculated using a share price of £3.94, being the volume weighted average price for the last five days of trading prior to the date of grant.

Remuneration Report continued

Awards granted during the year are subject to the following stretching performance conditions over a performance period from 1 May 2021 to 30 April 2024:

Performance condition	% of LTIP award subject to performance condition	Description of performance condition	
Total Shareholder Return (TSR) over the performance period	60	Company TSR compared to Index* TSR	
		% of this part of the award that vests	
		Less than Index* TSR	0
		Equal to Index* TSR	25
		Between Index* TSR and Index* TSR plus 15 percentage points	Pro rata between 25 and 100 on a straight-line basis
		Equal to Index* TSR plus 15 percentage points	100
* The index of companies known as the AIM 50.			
MSCI ESG rating at the end of the performance period	20	AAA rating.	
Cumulative revenue over the performance period	10	Subject to commercial sensitivity, we intend to provide an overview of the Remuneration Committee's assessment of performance against the underlying targets after the performance period has ended.	
Cumulative gross margin over the performance period	10	Subject to commercial sensitivity, we intend to provide an overview of the Remuneration Committee's assessment of performance against the underlying targets after the performance period has ended.	

It is expected that awards will be granted to Executive Directors in FY23 on the same basis as in prior years. This means they are expected to be granted an award equivalent to a maximum of 100% of base salary, uplifted to reflect the payment by the recipient of Employer's National Insurance Contributions. The awards will be subject to stretching performance conditions. The share price used to determine the number of shares awarded will be set at the time of the grant and will take into account, among other things, recent share price performance.

Details of outstanding options granted under the LTIP are provided in the Statement of directors' shareholding and share interests on page 66.

Notes to the single figure table for Non-Executive Directors Fees

The fees paid to Non-Executive Directors were reviewed during 2021. Following the review, it was considered appropriate to increase the base fee to align with the lower quartile of the market. The Chair of the Board's fee was also increased to reflect his role chairing the board of directors of Motive. The additional fee paid for chairing the Board Committees was not adjusted. No changes were made to fees when they were reviewed by the Chair of the Board and the CEO in the summer of 2022.

Fees paid to the Non-Executive Directors with effect from 1 July 2021 were:

Role	Current fees
Chair of the Board	£150,000
Base fee	
Independent Non-Executive Director	£51,000
Shareholder nominated Non-Executive Director	–
Chair of a Committee	
Audit, ESG, Remuneration and Strategic Advisory Committees	£10,000
Nomination and Technology Management Committees	–

Payments to past Directors

There were no payments to past Directors during the year.

Payments for loss of office

There were no payments for loss of office during the year.

Remuneration Report continued

Statement of directors' shareholding and share interests
Directors' share awards and long-term incentive awards

Name	Plan name	Award date	Shares under option at 01/05/21	Granted	Exercised	Lapsed	Shares under option at 30/04/22	Exercise price	Vesting date	Expiry date
Graham Cooley, CEO	SOP ¹	14/08/18	3,000,000	–	–	–	3,000,000	£0.30	¹ / ₃ : 14/08/19 ¹ / ₃ : 14/08/20 ¹ / ₃ : 14/08/21	14/08/28
	SOP ¹	24/10/19	307,500	–	–	–	307,500	£0.48	24/10/22	24/10/29
	LTIP	22/10/20	100,912	–	–	–	100,912	£0.05	22/10/23	22/10/30
	LTIP	13/11/20	88,298	–	–	–	88,298	£0.05	13/11/22	13/11/30
	LTIP	16/12/21	–	121,310	–	–	121,310	£0.05	16/12/24	16/12/31
	Total			3,496,710	121,310	–	–	3,618,020		
Andy Allen, CFO	SOP ¹	14/08/18	666,667	–	–	–	666,667	£0.30	¹ / ₂ : 14/08/20 ¹ / ₂ : 14/08/21	14/08/28
	SOP ¹	24/10/19	47,250	–	–	–	47,250	£0.48	24/10/22	24/10/29
	LTIP	22/10/20	52,478	–	–	–	52,478	£0.05	22/10/23	22/10/30
	LTIP	13/11/20	45,919	–	–	–	45,919	£0.05	13/11/22	13/11/30
	LTIP	16/12/21	–	86,650	–	–	86,650	£0.05	16/12/24	16/12/31
	Total			812,314	86,650	–	–	898,964		
Simon Bourne, CTO	SOP ¹	14/08/18	1,166,667	–	–	–	1,166,667	£0.30	¹ / ₂ : 14/08/20 ¹ / ₂ : 14/08/21	14/08/28
	SOP ¹	24/10/19	159,750	–	–	–	159,750	£0.48	24/10/22	24/10/29
	LTIP	22/10/20	77,530	–	–	–	77,530	£0.05	22/10/23	22/10/30
	LTIP	13/11/20	67,839	–	–	–	67,839	£0.05	13/11/22	13/11/30
	LTIP	16/12/21	–	86,650	–	–	86,650	£0.05	16/12/24	16/12/31
	Total			1,471,786	86,650	–	–	1,558,436		
Rachel Smith, Services Director	SOP ¹	14/08/18	833,334	–	–	–	833,334	£0.30	¹ / ₂ : 14/08/20 ¹ / ₂ : 14/08/21	14/08/28
	SOP ¹	24/10/19	72,000	–	–	–	72,000	£0.48	24/10/22	24/10/29
	LTIP	22/10/20	52,415	–	–	–	52,415	£0.05	24/10/22	22/10/30
	LTIP	13/11/20	45,863	–	–	–	45,863	£0.05	22/10/23	13/11/30
	LTIP	16/12/21	–	66,431	–	–	66,431	£0.05	13/11/22	16/12/31
	Total			1,003,612	66,431	–	–	1,070,043		

1. SOP awards described here are all unapproved options granted under a plan adopted in 2010, when our share price was significantly lower. Unlike awards granted under the terms of the LTIP, they are not subject to performance conditions.

Remuneration Report continued**Directors' interests in shares of the Company**

	Shares beneficially owned at 30 April 2022	Options vested but not exercised	Shareholding as a percentage of base salary ¹
Executive Directors			
Graham Cooley, CEO	770,586 ²	3,000,000	672%
Andy Allen, CFO	67,610 ²	666,667	286%
Simon Bourne, CTO	93,971 ²	1,166,667	448%
Rachel Smith, Services Director	464,546 ²	833,334	427%
Non-Executive Directors			
Sir Roger Bone, Chair	286,236	N/A	N/A
Martin Green	64,319	N/A	N/A
Jürgen Nowicki	–	N/A	N/A
Tom Rae ³	N/A	N/A	N/A
Katherine Roe	12,659	N/A	N/A

1. Base salary is as at 30 April 2022. Shares are valued as follows:

- Shares that are beneficially owned are valued at the price at which they were acquired.
 - Options that have vested but not been exercised are valued at the mid-market closing price of the shares on the date of vesting, less the exercise price and deductions for tax and social security contributions. Once they are exercised, they are included in the shares beneficially owned and valued at the share price on the date of exercise.
2. Includes shares held in the BAYE. Each Executive Director participates in the BAYE. As at 30 April 2022, each of them held 852 shares they had purchased and 852 matching shares awarded to them by the Company. Shares acquired through the BAYE are held in a trust until a request is received to withdraw them or a participant leaves the Group's employment. Matching shares are forfeited if the participant leaves or withdraws the associated purchased shares from the trust within three years of the matching shares being acquired, except in specific leaving circumstances.
3. Tom Rae resigned effective 16 November 2021.
4. Denise Cockrem was appointed effective 25 July 2021.

Dilution

SOP and LTIP awards can be satisfied using new issue shares, shares held in treasury or market purchase shares. The Remuneration Committee reviews the dilution position of the Company prior to granting share awards.

In line with best practice, the Remuneration Committee ensures that the number of new ordinary shares issued in any 10-year period does not exceed 10% of the Company's issued share capital under all the Company's share plans and does not exceed 5% under the SOP and the LTIP in aggregate.

Currently, new issue shares are used to satisfy options granted under the terms of the SOP and the LTIP when they are exercised.

Executive Directors' service contracts

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.

Each Executive Director's service contract includes a right for the Group to terminate the agreement and make a payment of base salary in lieu of the notice period. There are no contractual rights to additional compensation at termination.

Advisors to the Committee

During the year, the Remuneration Committee was supported by Ernst & Young LLP. Ernst & Young LLP received fees of £26,000 in connection with its advice to the Remuneration Committee. Ernst & Young LLP also provided legal advice to the Group regarding the operation of its share plans. The Remuneration Committee reviewed Ernst & Young LLP's performance during the year and agreed to retain Ernst & Young LLP as its advisor.

The Remuneration Committee also receives advice from the Company Secretary.

Where to find additional disclosures

Disclosure	Location
Attendance at Remuneration Committee meetings	Meeting attendance table in the Corporate Governance Report on page 46
Detailed assumptions used in calculating the fair value of options	Note 25 to the Consolidated Financial Statements

Directors' Report

The Directors of the Company present their report, together with the audited Consolidated Financial Statements, for FY22.

This Directors' Report has been prepared in accordance with the Companies Act. Additional information and disclosures, as required by the Companies Act, are included elsewhere in this Annual Report and are incorporated into this Directors' Report by reference in the following table:

Disclosure	Location	Page(s)
Names of Directors during the year	Board of Directors	41 to 42
Review of likely future developments	CEO's Review CFO's Review	8 to 11 12 to 14
Post-balance sheet events	CFO's Review Note 33 to the Consolidated Financial Statements	14 105
Workforce engagement	Our Stakeholders and Section 172(1) Statement Sustainable Energy, Engineered Sustainably	22 28 to 29
Information on the employment and training of disabled people	Sustainable Energy, Engineered Sustainably	29
Business relationships with suppliers, customers and others	Our Stakeholders and Section 172(1) Statement	19 to 23
GHG emissions	Sustainable Energy, Engineered Sustainably	27
Corporate governance arrangements	Corporate Governance Report Audit Committee Report Remuneration Report	44 to 50 51 to 54 55 to 67
Financial instruments and financial risk management	Note 30 to the Consolidated Financial Statements	103 to 105
Related party transactions	Note 31 to the Consolidated Financial Statements	105
Disclosure of information to the external auditor	Directors' Responsibilities Statement	70

Dividend

The Directors do not recommend payment of a dividend.

Directors' indemnity arrangements

Qualifying third-party indemnities were in place throughout FY22, and remain in place as at the date of this Annual Report. Under these indemnities, the Company has agreed to indemnify the Directors of the Company, to the extent permitted by law, against losses and liabilities that may be incurred in executing the powers and duties of their office.

Political donations

The Group made no political donations or contributions during the year (2021: nil). It is our policy not to make political donations or incur political expenditure.

Research and development (R&D)

During the year the Group incurred core product research spend of £1.4 million (2021: £3.5 million), with a further £7.0 million on development (2021: £1.5 million). The Group's R&D is focused on achieving four main aims: (1) new manufacturing processes for cost cutting and mass production; (2) improving cell efficiency; (3) improving stack life and reducing degradation; and (4) scale up and product life cycle.

Domicile

The Company was incorporated in England and Wales under the Companies Act. It is registered at Companies House under number 5059407.

Shares

Share capital

As at the date of this Annual Report, the Company's share capital consists of 613,158,155 issued and fully paid ordinary shares of 5 pence each. The shares are admitted to trading on AIM. Shares may be held in certificated or uncertificated form. Further details of the Company's issued share capital, including changes during the year, can be found in Note 24 to the Consolidated Financial Statements on page 100.

Rights and obligations attaching to shares

The rights and obligations attaching to the Company's ordinary shares are contained in the Company's Articles of Association and the Companies Act. In summary:

- The ordinary shares allow holders to receive dividends and to exercise one vote on a poll per ordinary share for every holder present in person or by proxy at general meetings of the Company
- Shares held in treasury are not entitled to vote or receive dividends

There is no ownership ceiling.

Directors' Report continued**Restrictions on transfer of securities**

There are no restrictions on the transfer or sale of ordinary shares and no requirements for prior approval of any transfers, except:

- Under the Company's Articles of Association, the Directors have the power to suspend voting rights and the right to receive dividends in respect of ordinary shares and to refuse to register a transfer of ordinary shares in circumstances where the holder of those shares fails to comply with a notice issued under section 793 of the Companies Act
- The Directors also have the power to refuse to register any transfer of certificated shares that does not satisfy the conditions set out in the Articles of Association

The Company is not aware of any agreements between shareholders that might result in the restriction of transfer or voting rights in relation to the shares held by such shareholders.

Employee share schemes

Shares issued under the Company's employee share schemes rank pari passu with the existing shares of the Company. Voting rights attached to shares held on trust on behalf of participants in the BAYE are exercised by the trustee as directed by the participants.

Significant shareholdings

Notification has been received of the following interests of significant shareholders that equal or exceed a 3% interest in the issued share capital of the Company:

<i>Investor</i>	<i>At 30 April 2022</i>		<i>At 14 September 2022</i>	
	Number of ordinary shares	% of issued share capital	Number of ordinary shares	% of issued share capital
Linde UK Holdings No.2 Limited	100,000,000	16.31%	100,000,000	16.31%
JCB Research	48,485,764	7.91%	42,823,778	6.98%
Hargreaves Lansdown	33,556,979	5.47%	34,415,268	5.61%
DWP Bank	28,019,927	4.57%	34,325,117	5.50%
Mr Peter Hargreaves	27,686,070	4.52%	27,686,070	4.52%
Capital Group	21,983,340	3.59%	N/A	<3%
Interactive Investor Trading	N/A	<3%	19,553,928	3.19%
Fidelity	19,296,154	3.15%	N/A	<3%

The Directors have been notified that 16.61% of the shares in issue were not in public hands as at 30 April 2022 and 16.62% of the shares in issue are not in public hands as at the date of this Annual Report.

Share buy-backs

The Directors have not sought authority to buy-back the Company's shares and the Company has not purchased any of its own shares. No shares are held in treasury.

External auditor

Grant Thornton UK LLP has expressed its willingness to continue in office as auditor. The Directors intend to recommend a resolution to reappoint Grant Thornton UK LLP at the Company's next Annual General Meeting.

Approved by the Board and signed on its behalf by:

Andy Allen

Chief Financial Officer
14 September 2022

Directors' Responsibilities Statement

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations. Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have prepared the financial statements in accordance with UK-adopted international accounting standards and with the requirements of the Companies Act as applicable to companies reporting under those standards. They have elected to prepare the 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 they give a true and fair view of the state of affairs and profit or loss of the Company and the 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 have been followed, subject to any material departures disclosed and explained in the financial statements
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and/or Group will continue in business

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

The Directors are also responsible for the maintenance and integrity of the corporate and financial information included on the Group's website.

Legislation, regulation and practice in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors, whose names and functions are set out on pages 41 to 42, confirm that:

- So far as each Director is aware, there is no relevant audit information of which the Group's external auditor is unaware
- The Directors have each taken all the steps they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Group's auditor is aware of that information

Approved by the Board and signed on its behalf by:

Andy Allen

Chief Financial Officer

14 September 2022

Financial Statements

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- 108 Notes to the Company Financial Statements

Independent auditor's report to the members of ITM Power PLC

Opinion

Our opinion on the financial statements is unmodified.

We have audited the financial statements of ITM Power PLC (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 April 2022 which comprise the 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 the preparation of the group financial statements is applicable law and UK-adopted international accounting standards. 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 2022 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- 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 obtaining management's base case and sensitised cashflow forecasts to 30 September 2023, along with challenge and assessment of the inputs into the forecasts.

Management's going concern assessment is based on the expected costs compared to the cash held. 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 2022 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 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.

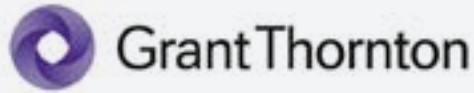
Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the parent company's ability to continue as a going concern for a period of at least twelve months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

Independent auditor’s report to the members of ITM Power PLC continued

Our approach to the audit



Overview of our audit approach

Overall materiality:

Group: £2,335,000, which represents 5% of the group’s loss before tax.

Parent company: £2,100,000, which represents 0.4% of the parent company’s total assets.

Key audit matters for the group were identified as:

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

No additional key audit matters were identified in respect of the parent company.

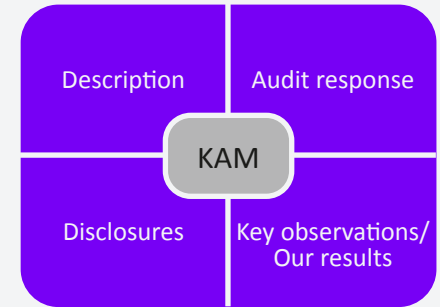
Our auditor’s report for the year ended 30 April 2021 included one key audit matter that has not been reported as a key audit matter in our current year’s report. Inappropriate recognition of grant income is no longer considered a key audit matter, as the level of grant income recognised in the current period has reduced.

Scoping has been determined to ensure appropriate coverage of the group significant risks, and key financial statement line items. The coverage of key financial statement line items identified as significant components were:

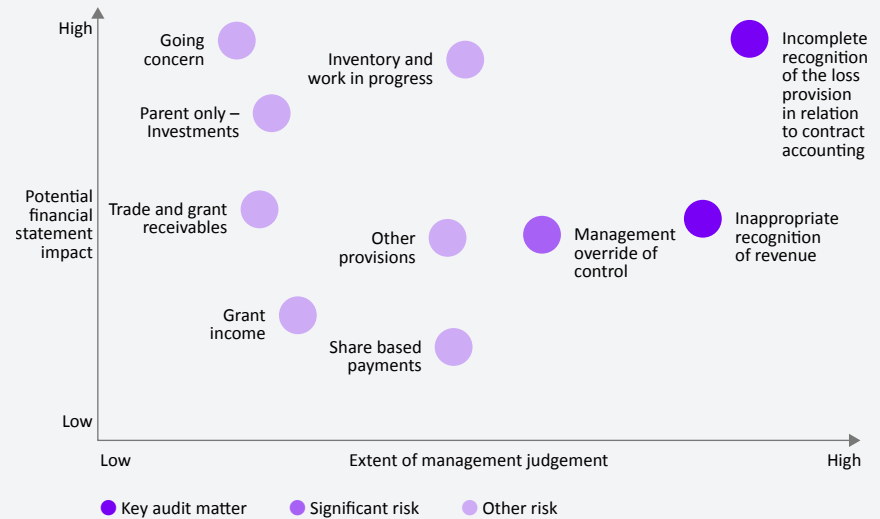
- Revenue 95% (2021: 98%)
- Loss before tax 93% (2021: 94%)

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.



Independent auditor's report to the members of ITM Power PLC continued

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 £5,627,000 (2021: £4,275,000).

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

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

Relevant disclosures in the Annual Report and Accounts 2022

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

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 revenue from contracts are in accordance with the financial reporting framework, IFRS 15;
- Tested a sample of contracts to original signed agreements;
- Performed procedures over management's contract forecast models, testing mathematical accuracy and agreeing amounts and terms to underlying contracts;
- For a sample of contracts, recalculated revenue recognised over time using the input method of costs incurred to date as a percentage of forecast costs;
- 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;
- Made enquires of the individual project managers to obtain an understanding of their process for estimating cost to complete. This was compared to the current progress of the contract.
- For deferred contract income, using the sample selected through our revenue testing, we confirmed that there was a deferred income balance based on contractual terms, recalculated the deferred income balance and agreed inputs to supporting documentation, such as invoices raised and cash received; and
- For performance obligations recognised at a point in time, we tested a sample to evidence of completion of those performance obligations.

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.

Key Audit Matter – Group***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.

The contract loss provision provided in the financial statements is £12,493,000 (2021: £4,820,000).

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 have been 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.

Relevant disclosures in the Annual Report and Accounts 2022

- Financial statements: Note 22, Provisions
- Financial statements: Note 4, Critical accounting judgements and key sources of estimation uncertainty

How our scope addressed the matter – Group

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

- Obtained management's schedule of contract loss provisions;
- 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;
- 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;
- 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;
- Compared the total expected costs by contract from the year end to the previous year end and to costs incurred post year end, obtaining explanations for movements in order to test the historical accuracy of forecasting;
- Obtained supporting evidence, such as purchase orders and supplier quotations for a sample of forecast costs to complete; and
- Assessed and challenged the appropriateness of the financial statement disclosures.

Key observations

When assessing contract costs incurred post year end, we identified a number of contracts where additional costs had been incurred which had not been included in the forecasts. Management subsequently recalculated the 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.

No key audit matters were identified in respect of the parent company.

Independent auditor’s report to the members of ITM Power PLC continued

Our application of materiality

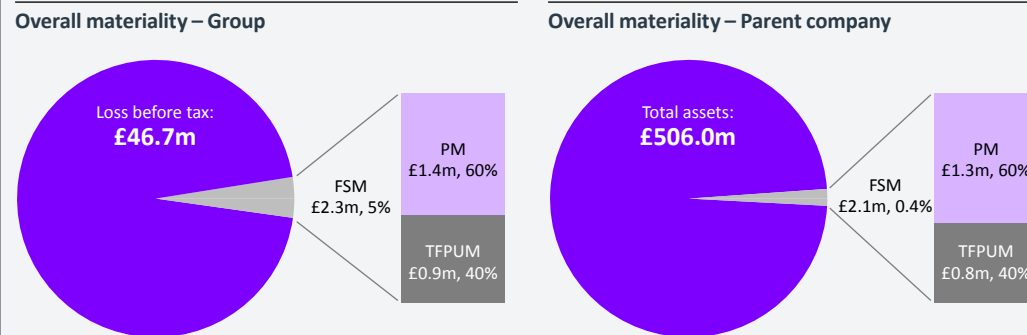
We apply the concept of materiality both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor’s report.

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.	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	£2,335,000, which is 5% of loss before tax.	£2,100,000, which is 0.4% of total assets.
Significant judgements made by auditor in determining 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; and – Materiality for the current year is higher than the level that we determined for the year ended 30 April 2021 to reflect the increase in absolute loss realised in 2022.	In determining materiality, we made the following significant judgements: – Identifying the primary objective of the parent company, which is to hold the investments in the group undertakings, as well as to provide financing to use as an appropriate benchmark; and – Materiality for the current year is higher than the level that we determined for the year ended 30 April 2021 to reflect the increase in assets held at 30 April 2022.
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.	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	£1,400,000, which is 60% of financial statement materiality.	£1,260,000, which is 60% of financial statement materiality.
Significant judgements made by auditor in determining performance materiality	In determining performance materiality, we made the following significant judgements: – Our risk assessment procedures identified some changes and additional complexity in the group’s business activities. In addition, based on our experience of auditing the financial statements of the group, adjustments have not been made to the group’s financial statements in prior years.	In determining performance materiality, we made the following significant judgements: – Our experience of auditing the financial statements of the company, adjustments have not been made to the company’s financial statements in prior years.

Materiality measure	Group	Parent company
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.	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 and directors remuneration.	We determined a lower level of specific materiality for Related party transactions and directors remuneration.
Communication of misstatements to the audit committee	We determine a threshold for reporting unadjusted differences to the audit committee.	We determine a threshold for reporting unadjusted differences to the audit committee.
Threshold for communication	£117,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£105,000 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.



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

Independent auditor's report to the members of ITM Power PLC continued

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; and
- the engagement team obtained an understanding of the effect of the group organisational structure on the scope of the audit, for example, the level of centralisation of the group control function and the use of service organisations.

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 revenue and loss before tax and qualitative factors, such as component's specific nature or circumstances.

Type of work to be performed on financial information of parent and other components (including how it addressed the key audit matters)

- the key audit matters identified in the key audit matter section of our audit report were addressed with the audit of the significant scoped locations. There were no key audit matters that related individually to the parent company, ITM Power PLC.

Audit approach	No. of components	% coverage revenue	% coverage loss before tax
Audit of component financial information	2	73	88
Audit of specific financial statement line items	2	22	9
Analytical procedures	3	5	3
Total	7	100	100

Performance of our audit

- for the audit of specific financial statement line items, specific procedures were primarily designed to audit the key audit matters but additional procedures were performed on cash balances and operating costs as well, depending on the quantum of these items; and
- the primary team performed audit procedures across all components in line with the approach described. There were no component teams engaged to support the primary team.

Changes in approach from previous period

- there is an additional component compared to last year as ITM Power PLC set up a new subsidiary in the year, which was partially disposed in March 2022. This component has been included in the table above as an audit of specific financial statement line items.

Other information

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

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

We have nothing to report in this regard.

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

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

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

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.

Independent auditor's report to the members of ITM Power PLC continued

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 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 (UK-adopted international accounting standards, United Kingdom Generally Accepted Accounting Practice, and the Companies Act 2006), as well as the relevant tax regulations, health and safety law, employment 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.
- 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 relevant legislation, rules and other regulations of the regulator, the procedures for authorisation of transactions, internal review procedures over the entity's compliance with regulatory requirements.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

- Engagement partner's 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. This is also reported as a key audit matter in the key audit matter section of our report where the matter is explained in more detail and the specific procedures, we performed in response to the key audit matter are described in more detail.

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

14 September 2022

Consolidated Income Statement and Other Comprehensive Income

	Note	2022		2021	
		£000	£000	£000	£000
Revenue	5		5,627		4,275
Direct costs					
Grant income against direct costs	5	(29,104)		(12,145)	
Cost of sales			(29,104)	1,356	
Gross loss			(23,477)		(10,789)
Operating costs					
Research and development			(1,383)		(3,489)
Production and engineering			(7,931)		(8,839)
Sales and marketing			(1,920)		(1,436)
Administration expenses			(10,669)		(7,404)
Expected credit loss			84		(165)
Other income – government grants	5		560		1,190
Loss from operations	6		(44,736)		(26,657)
Share of loss of associate companies and joint ventures	12		(10)		(595)
Finance income	9		325		83
Finance costs	9		(532)		(479)
Loss on deemed disposal of subsidiary	12		(1,710)		–
Loss before tax			(46,663)		(27,648)
Tax	10		(31)		(49)
Loss for the year			(46,694)		(27,697)
Other total comprehensive income:					
Items that may be reclassified subsequently to profit or loss					
Foreign currency translation differences on foreign operations			(71)	(78)	
Net other total comprehensive income			(71)		(78)
Total comprehensive loss for the year			(46,765)		(27,775)
Basic and diluted loss per share	11		(8.1p)		(5.5p)

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

Consolidated Balance Sheet

	Note	2022 £000	2021 £000
Non-current assets			
Investments in associate and joint venture	12	1,662	259
Loan notes	13	1,548	–
Intangible assets	14	9,081	3,269
Right of use assets	15	6,454	6,399
Property, plant and equipment	16	15,637	13,514
Financial asset at amortised cost	30	161	148
Total non-current assets		34,543	23,589
Current assets			
Inventories	17	32,198	6,418
Trade and other receivables	19	25,542	22,981
Cash and cash equivalents	20	365,882	176,078
Total current assets		423,622	205,477
Current liabilities			
Trade and other payables	21	(34,296)	(12,857)
Provisions	22	(15,207)	(12,276)
Lease liability	23	(626)	(204)
Total current liabilities		(50,129)	(25,337)
Net current assets		373,493	180,140
Non-current liabilities			
Lease liability	23	(6,522)	(6,282)
Provisions	22	(6,561)	–
Total non-current liabilities		(13,083)	(6,282)
Net assets		394,953	197,447
Equity			
Called up share capital	24	30,658	27,533
Share premium account	24	542,323	302,248
Merger reserve	24	(1,973)	(1,973)
Foreign exchange reserve	24	12	83
Retained loss	24	(176,067)	(130,444)
Total equity		394,953	197,447

The financial statements of ITM Power PLC, registered number 05059407, were approved by the Board of Directors and authorised for issue on 14 September 2022. Signed on behalf of the Board of Directors:

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
Director							
At 1 May 2020	24	23,664	137,236	(1,973)	161	(103,342)	55,746
Transactions with owners							
Issue of shares	24	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 loss	24	–	–	–	(78)	–	(78)
Total comprehensive loss		–	–	–	(78)	(27,697)	(27,775)
At 1 May 2021	24	27,533	302,248	(1,973)	83	(130,444)	197,447
Transactions with owners							
Issue of shares	24	3,125	240,075	–	–	–	243,200
Credit to equity for share-based payment		–	–	–	–	1,071	1,071
Total Transactions with owners		3,125	240,075	–	–	1,071	244,271
Loss for the year		–	–	–	–	(46,694)	(46,694)
Other comprehensive loss	24	–	–	–	(71)	–	(71)
Total comprehensive loss		–	–	–	(71)	(46,694)	(46,765)
At 30 April 2022	24	30,658	542,323	(1,973)	12	(176,067)	394,953

Consolidated Cash Flow Statement

	Note	2022 £000	2021 £000
Net cash used in operating activities	26	(38,155)	(20,141)
Investing activities			
Investment in joint venture/associate	12	(1,838)	(535)
Cashflows arising from loss of control of subsidiary		(993)	–
Loan notes (loan to joint venture)	13	(1,899)	–
Purchases of property, plant and equipment		(4,119)	(14,422)
Capital Grants received against purchases of non-current assets		150	3,992
Proceeds on disposal of property, plant and equipment		352	3
Payments for intangible assets		(7,036)	(1,524)
Interest received		304	83
Net cash used in investing activities		(15,079)	(12,403)
Financing activities			
Issue of ordinary share capital		250,000	173,835
Costs associated with equity raise		(6,800)	(4,954)
Payment of lease liabilities	27	(69)	(156)
Net cash from financing activities		243,131	168,725
Increase in cash and cash equivalents		189,897	136,181
Cash and cash equivalents at the beginning of year		176,078	39,919
Effect of foreign exchange rate changes		(93)	(22)
Cash and cash equivalents at the end of year		365,882	176,078

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, Sheffield, South Yorkshire S9 1DZ. The nature of the operations and principal activities of the Company and its subsidiaries (together the Group) are disclosed in the Strategic 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 International Financial Reporting Standards (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:

- 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)

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 2022 reporting periods and have not been early adopted by the Group. These standards are expected neither to have a material impact on the entity in the current or future reporting periods nor on foreseeable future transactions:

- 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, affecting IFRS 1, IFRS 9, IFRS 16, IFRS 41 (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 2024)
- 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 UK-adopted international accounting standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

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.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

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.

Notes to the Consolidated Financial Statements continued**3. Significant accounting policies** continued

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

Going concern

The Directors have prepared a cash flow forecast for the period from the balance sheet date until 30 September 2023. This forecast indicates that the Group 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 significant cash reserves. This should give the business sufficient funds to trade for the next 12 months if the business continues with its medium-term business plan.

The business remains in a development phase and continues in a cash outflow position, using funding generated from previous fundraises. As such, 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 12 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 of both whole systems and individual electrolyser units that involve manufacture followed by varying degrees of installation and commissioning over a period of several months. Systems are usually quoted to an end user as a single value but an intermediary may be quoted for individual electrolyser units. Both types of sale will be split into agreed payment milestones to facilitate cash flow. Performance obligations are identified according to the separability of the items being provided. Any ancillary requests, e.g. for training, will be treated as separate performance obligations if they can be separately identified and measured and the revenue value is also quoted separately.

Under IFRS 15, 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 at point in time, only when the performance obligation has been fulfilled and ownership of the goods has transferred, i.e. at the official handover of control of a working machine to the customer. This is due to the 'transferability' of such products and their components up until handover, so the asset generated has an alternative use to the Group up to the point of handover. In the meantime, income from progress billings and advances received from customers will be reflected in the balance sheet as contract liabilities (deferred income). Costs incurred on projects to date will not be included in the statement of comprehensive income but will be accumulated on the balance sheet as work in progress so long as they are considered recoverable and only transferred to cost of sales once the revenue applicable to those costs can be recognised in the accounts. Should costs exceed anticipated revenues, a provision will be recognised and the surplus costs expensed with immediate effect;
- Bespoke contracts by their nature do not create an asset with an alternative use to the seller; some have traceability requirements attached to them that would prevent them being diverted during production whilst others are simply bespoke to the customer's requirements and therefore would not meet the needs of, or be easily converted for use on, another project. There is also an enforceable right to payment for performance completed to date if the contract is terminated by the customer for reasons other than ITM Power's failure to perform as promised. Revenues for bespoke contracts will therefore be recognised over time according to how much of the performance obligation has been satisfied. This is measured using the input method, comparing the extent of inputs towards satisfying the performance obligation with the expected total inputs required. Any changes in expectation are reflected in the total inputs figure as they become known. The progress percentage obtained is then applied to the revenue associated with that performance obligation. Management view this as a much more reliable measure of progress towards completion of the performance obligation than the output method as, despite contracting with milestone payments, these are not reliable measures of progress or value to the customer but instead have been designed to aid cash flow. Any differences between the revenues recognised and the milestone billings will result in contract assets/liabilities (shown as accrued or deferred income on the balance sheet).

Notes to the Consolidated Financial Statements continued**3. Significant accounting policies** continued

ITM Power supplies 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 to minimise the time and expense associated with travel to the site. The warranty period starts from the date site acceptance testing is deemed to be 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 the warranty period and will form a separate performance obligation. After the warranty period, it is recommended that a maintenance package is continued (see maintenance contracts below).

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

Maintenance contracts

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 IFRS 15 is met as referred to above.

Consulting contracts

Larger systems or those where the system will need to perform to new conditions, are sometimes preceded by a design study or a Front-End Engineering Design (FEED) contract that defines solutions to customer specifications. ITM Power's equipment being part of the solution, our expertise is often required to feed in to these studies. Where the IFRS 15 criteria for recognition over time are met (in this case that the customer simultaneously receives and consumes the benefits of the service), revenue will be recognised over time. For those contracts where these criteria are not met, revenue will be recognised on completion of the contract.

Fuel sales or sales of scrap/spares

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

Grants

Government and other grants are included in other operating income in the period that the related expenditure is incurred, unless relating to property, plant and equipment when they are netted against the cost of the assets acquired on the balance sheet.

Grants have stage payments, which can include 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).

Notes to the Consolidated Financial Statements continued**3. Significant accounting policies** continued**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 and joint ventures

These are companies where ownership is 50% or less but significant influence is retained. Significant influence is the power to participate in the financial and operational policy decisions of the investee but is not control over those policies. Joint ventures will allow for joint control as no one party has overall control, but where there is no control, the investment is referred to as an associate. Both joint ventures and investments in associates are accounted for using the equity method.

The investment 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 investment entity, adjusted where necessary to ensure consistency with the accounting policies of the Group. When the Group's share of losses of an investment exceeds the Group's interest in that entity, 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 investment entity.

As per IAS 28, the investment 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 cash flows 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.

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 Group'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.

Notes to the Consolidated Financial Statements continued**3. Significant accounting policies** continued**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 Group 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 and test equipment, production plant and equipment, computer equipment and office furniture and fittings are stated at cost less accumulated depreciation and any recognised impairment loss.

Assets in the course of construction are carried at cost, less any recognised impairment loss. These assets are not depreciated but are subject to impairment review. Once completed and ready for their intended use, the assets are transferred into other asset categories and depreciated accordingly.

Depreciation is charged so as to write off the cost of assets, other than land and assets 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	5 to 8 years	Research and development costs
Production plant and equipment	5 to 8 years	Production and engineering costs
Computer equipment	3 years	Administration expenses
Office furniture and fittings	10 years	Administration expenses
Leasehold improvements	10 years or 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.

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 in two:

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 Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. An analysis of historical default amongst our trade receivables was conducted and showed that less than 1% of sales over several years have resulted in default. The Group continue to trade with large entities with good credit scores but trading data is monitored annually to ensure that there are no significant changes to this percentage.

Notes to the Consolidated Financial Statements continued**3. Significant accounting policies** continued**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 Group 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. As such a separate reimbursement asset is recognised for this recoverable amount.

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.

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

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.

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 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 14.

Key sources of estimation uncertainty**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 maintained so that onerous contracts can be recognised and provided for at the point where costs are predicted to exceed the expected income. Risk registers are also maintained and regular discussions with project managers highlight whether any further provisions are required, e.g. for liquidated damages. See Notes 5 and 18.

Provisions

Note 22 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 (or duration of the warranty period) 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 offset 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 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 £4.3 million (2021: £1.8 million).

Changes in accounting estimates**Useful asset lives**

The Directors have reconsidered the useful lives of the Group's fixed asset categories to reflect a change in the Group's purchasing habits over recent months. As plant and lab equipment is now being bought brand new, rather than second hand, this has resulted in a change to the expected useful lives of some categories of plant and equipment as follows:

Category	Previous useful life	New estimated useful life
Laboratory and test equipment	4 years	5 to 8 years
Production plant and equipment	4 years	5 to 8 years
Computer equipment	3 years	3 years
Office furniture and fittings	4 years	10 years
Leasehold improvements	4 years or the remainder of the lease term	10 years or lease term

The change has been treated prospectively and has impacted profit and loss in the current period to reduce losses by £499,000.

Provision for inventory obsolescence

With the increase in inventory and the move towards more standardised products, the Directors have reviewed and refined their policy for the provision of stock obsolescence. Previously stock was assessed by its age and usage in the business, writing it down by 60% if parts were over 12 months old but still being used on products or else by 100% if parts were over a year old and seemingly not in use on products.

However, it is recognised that parts can now be held in the business for a number of reasons, not least the contractual requirements of our warranty and aftersales provisions and this needed to be reflected in our treatment. In the current year therefore, stocked items have been classified into four different categories: those actively in use in our bills of material, those that can be used for product development work, discontinued items that may not be part of active bills of material but still have demand through maintenance and aftersales work on legacy equipment, and finally redundant parts. The first three categories still hold value for the business and have been maintained at cost, whilst redundant stock has continued to be fully written down. The initial effect of this change was not material in the current year. Going forward, this categorisation of stock will allow us to review our holdings to ensure that they are sufficient to meet our contractual obligations, whilst also allowing us to refine the provision further, for example if the discontinued category began to exceed our contractual obligations.

Notes to the Consolidated Financial Statements continued

5. Revenue, operating segments and income from government grants

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

	2022		2021	
	£000	£000	£000	£000
Revenue from product sales recognised over time		808		1,697
Revenue from product sales recognised at a point in time		1,231		–
Consulting contracts recognised over time		2,948		2,108
Maintenance contracts recognised at a point in time		43		112
Fuel Sales		229		153
Other (e.g. scrap sales)		368		205
Revenue in the Consolidated Income Statement		5,627		4,275
Grant income shown against cost of sales		–		1,356
Grant income (claims made for projects)	271		761	
Other government grants (R&D claims)	289		404	
Other government grants (COVID-19 furlough scheme)	–		25	
Other income – government grants		560		1,190
		6,187		6,821

At 30 April 2022, the aggregate amount of the transaction price allocated to remaining performance obligations of continuing build contracts was £42.0 million (2021: £16.7 million). The Group expects to recognise 73% of this within one year, with the remaining 27% expected the following year.

Segment information

ITM Power PLC is organised internally to report to the Group's Chief Operating Decision Maker, the Chief Executive Officer, on the financial and operational performance of the Group as a whole. The Group's Chief Operating Decision Maker is ultimately responsible for entity-wide resource allocation decisions, evaluating performance on a Group-wide basis and any elements within it on a combination of information from the executives in charge of the Group and Group financial information.

Management has previously identified three target markets for our products (Power-to-Gas, Refuelling, and Industrial). Revenue reporting has begun to look at these three sectors to assess the commerciality of those sales. However, decisions for resourcing 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:

	2022 £000	2021 £000
Power-to-Gas	207	210
(of which product sales recognised over time £56,000)		
Refuelling	1,704	(38)
(of which product sales recognised over time £245,000)		
Industrial	507	1,870
(of which product sales recognised over time £507,000)		
Other	3,209	2,233
Revenue in the Consolidated Income Statement	5,627	4,275

In the prior year, 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.

The Other category contains a large consultancy project, involving design and FEED studies for larger scale product manufacture.

Geographical analysis

The United Kingdom is the Group's country of domicile but the Group also has subsidiary companies in the United States, Germany and Australia. All non-current assets were domiciled in the United Kingdom or Germany. Revenues have been generated as follows:

	2022 £000	2021 £000
United Kingdom	3,359	2,505
Germany		
(of which product sales recognised over time £563,000)	770	1,966
Rest of Europe		
(of which product sales recognised over time £245,000)	246	(196)
United States	22	–
Australia	1,230	–
	5,627	4,275

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

	2022 £000	2021 £000
Customer A Industrial	<10%	1,870
Customer B Other	2,840	2,027
Customer C Refuelling	673	–

Except where extended warranties have been purchased and treated as separate performance obligations for the purpose of IFRS 15 Revenue from contracts with customers, warranty commitments are covered under Note 22 Provisions.

Notes to the Consolidated Financial Statements continued

6. Loss for the year

Loss for the year has been arrived at after charging / (crediting):

	2022 £000	2021 £000
Net foreign exchange losses/(gains)	386	(53)
Fair value gain on forward contracts	(136)	–
Fair value loss on loan notes	344	–
Share-based payment charge (Note 25)	1,429	799
Depreciation of property, plant and equipment	1,628	1,576
Depreciation of right of use assets	711	745
Impairment of non-current assets	–	1,713
Amortisation of intangibles	849	274
Research and non-capitalised Development costs	1,383	3,489
Expected credit loss (trade receivables)	1	(3)
(Reversal of) expected credit loss on prepaid suppliers	(100)	168
Loss on disposal of property, plant and equipment	–	173
Loss on disposal of Motive	1,710	–
Rentals under short-term leases:		
– Land and buildings	58	8
– Other equipment	219	142
Government grants receivable	(560)	(2,546)
Staff costs (Note 8)	14,482	11,434
Cost of inventories recognised as an expense	5,690	4,241
Movement on aged stock provision	1,417	845

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

	2022 £000	2021 £000
Direct costs		
Materials	3,862	4,241
Labour	4,303	707
Other bought in items	17,738	6,987
Contract provisions	3,201	210
Total direct costs	29,104	12,145
Operating costs		
Staff and employment costs	4,315	9,594
Consultancy and consumables	11,225	5,666
Building overheads	2,564	1,650
Depreciation	2,340	2,321
Amortisation	849	274
Impairment	–	1,713
Other	525	115
Total operating costs	21,818	21,333

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:

	2022 £000	2021 £000
Loss from operations	(44,736)	(26,657)
Add back:		
Depreciation	2,340	2,321
Impairment	–	1,713
Amortisation	849	274
Loss on disposal	–	173
Fair value loss on loan notes	344	–
Share-based payment charge (Note 25)	1,429	799
	(39,774)	(21,377)

Notes to the Consolidated Financial Statements continued

7. Auditor's remuneration

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

	2022 £000	2021 £000
Fees payable to the Company's auditor for		
– The audit of the Company's annual accounts	137	120
– The audit of the Company's subsidiaries pursuant to legislation	33	33
Total audit fees	170	153
Other services pursuant to legislation		
– Interim agreed upon procedures/review work (audit related services)	55	13
– Assurance fee on corporate finance transaction	125	–
Total non-audit fees	180	13

8. Remuneration of directors and employees

	2022 £000	2021 £000
Directors		
Fees/Basic salary plus bonuses earned in the year	1,576	1,436
Pension contributions	71	55
Aggregate emoluments	1,647	1,491
Other key management personnel		
Fees/Basic salary plus bonuses	116	–
Pension contributions	6	–
Aggregate emoluments	122	–
Employer's NIC	224	169
Share-based payment expense	686	549
Total costs for directors and key management personnel	2,679	2,209

Salary figures detailed here are after salary exchange for pensions. Consequently, the pension figures are employer contributions inclusive of those salary exchange amounts.

More detail is provided for directors' remuneration and share options within the Remuneration Report. No share options were exercised during the year, although four directors participate in these long-term incentive plans (2021: 4) and benefited from exercises in the prior year.

Gains made by directors exercising share options in the prior 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

Four directors also participate in the Group BAYE scheme (2021: 4) and receive matching shares. Three directors were members of money purchase pension schemes during the year (2021: 3).

	2022 £000	2021 £000
Remuneration of the highest paid director		
Aggregate emoluments	472	500
Money purchase pension contributions	–	–
	472	500

Notes to the Consolidated Financial Statements continued

8. Remuneration of directors and employees continued

Gains made by the highest paid director exercising share options in the year were £Nil (2021: £4.2 million).

	2022 Number	2021 Number
Monthly average number of persons employed		
– Research and development	86	54
– Production and engineering	184	113
– Sales and marketing	20	13
– Administration	48	30
	338	210

	2022 £000	2021 £000
Staff costs during the year (including directors)		
Wages and salaries	14,893	8,687
Social security costs	1,694	1,988
Other pension costs	1,259	759
Share-based payment expense	1,429	799
	19,275	12,233
Less: staff costs capitalised in development costs	(4,793)	(1,430)
Staff costs expensed in the year	14,482	10,803

As at 30 April 2022 pension contributions of £123,000 (2021: £72,000) 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

	2022		2021	
	£000	£000	£000	£000
Finance income				
Interest received on cash deposits		325		83
Finance cost				
Interest paid	(41)		(60)	
Lease liability interest paid	(491)		(419)	
		(532)		(479)
Net finance costs		(207)		(396)

10. Tax

	2022 £000	2021 £000
Current taxation		
Tax charge in the year	31	25
Tax charge relating to prior years	–	24
	31	49

Corporation tax is calculated at 19% (2021: 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:

	2022 £000	2021 £000
Loss before tax	(46,663)	(27,648)
Tax on loss at 19% (2021: 19%)	(8,866)	(5,253)
Factors affecting (charge)/credit for the year:		
Expenses not deductible for tax purposes	332	204
Fixed asset differences	445	1,510
Tax charge on current year RDEC claim	31	25
Adjustments in respect of prior years	–	24
Unrelieved tax losses carried forward	8,089	3,539
Tax charge for the year	31	49

Factors affecting future tax charges

The Group has tax losses of approximately £99.8 million (2021: £65.6 million) available to carry forward against future taxable profits, subject to agreement with HM Revenue & Customs. Deferred tax would have been calculated at a 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.

Notes to the Consolidated Financial Statements continued

11. Loss per share

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

	2022 £000	2021 £000
Loss for the purposes of basic and diluted loss per share being net loss attributable to owners of the Company	(46,694)	(27,697)
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	576,699,822	507,262,743
Loss per share	8.1p	5.5p

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 45,064,658 (2021: 50,893,546).

12. Investments in associates and joint ventures

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.

Investment in associates and joint ventures	2022 £000	2021 £000
ITM Linde Electrolysis GmbH (associate)	60	259
Motive Fuels Limited (joint venture)	1,602	–
	1,662	259

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

ITM Linde Electrolysis GmbH	2022 £000	2021 £000
Cost brought forward	259	346
Additions	–	535
Foreign exchange	(21)	(27)
50% share of loss recognised in the year	(178)	(595)
	60	259

The above amounts relate to ITM Linde Electrolysis GmbH (ILE) which is incorporated in Germany, with registered office: Bodenbacher Str. 80, 01277 Dresden, Germany. Interest in ILE 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 ILE due to its representation on the company's board of directors.

The investment is therefore an equity-accounted investment in associate but will be subject to impairment review. In the current year, there were no triggers to warrant an impairment review.

Key financial data of ILE:

	2022 £000	2021 £000
Non-current assets	11	14
Current assets	6,553	3,145
Current liabilities	(6,425)	(2,658)
Revenue	2,397	1,018
Loss from continuing operations	(355)	(1,193)

Balance sheet figures were translated from euros using the year-end exchange rate of 1.18 (2021: 1.16). Revenue and loss figures were translated using an average exchange rate of 1.18 (2021: 1.12).

During the year, ITM Power continued to pay for the hosting of ILE's website. ITM Power engaged ILE for consultancy work equating to £0.2 million, which was paid shortly after year end. Invoices for progress billings of £5.4 million were raised to ILE with £1.0 million outstanding at year end. Further cash injections are planned over the twelve months, equating to €750,000 by each party.

Notes to the Consolidated Financial Statements continued**12. Investments in associates and joint ventures** continued

Below we provide information regarding the performance of the joint venture within the period:

	2022 £000
Motive Fuels Limited	
Cost	–
Additions (fair value of net assets retained)	1,434
50% share of loss recognised in the period	168
	1,602

The above amounts relate to Motive Fuels Limited (Motive) which is incorporated in the UK, with registered office: AMP Technology Centre, Brunel Way, Catcliffe, Rotherham, S60 5WG. Motive commenced trading from 1 May 2021 as a wholly-owned subsidiary. However, in March 2022, Vitrol Holding SARL matched our shareholding in the entity and interest in Motive therefore became split 50:50, with no single party having control. ITM Power has significant influence and joint control in Motive due to its equal representation on the company's board of directors and rights to the net assets.

The investment is therefore treated as a joint venture that is equity-accounted and subject to impairment review. In the current year, there were no triggers to warrant an impairment review.

Key financial data of Motive (income statement figures shown are for the period since the transaction with Vitrol when Motive was trading as a joint venture):

	30 April 2022 £000
Non-current assets	1,112
Current assets	7,864
Current liabilities	(862)
Non-current liabilities	(3,410)
Revenue	22
Profit from continuing operations	334

The Group has also recognised a loss of £1.7 million on the deemed disposal of 50% of the net assets of the former subsidiary and including the cost of professional fees relating to the transaction.

ITM Power (Trading) Limited continues to pay for and recharge some of the overheads of Motive. This has resulted in charges of £183,000 in the period, all of which remained outstanding at the year end. It has also received payments from Motive's customers (total £2,000) which have been shown as a liability (sitting within accruals) for repayment to Motive post-year end.

13. Loan notes

ITM Power PLC and Vitrol also each granted loan notes to Motive Fuels Limited. These are accruing interest at 1.5% above SONIA. Loans are granted for a period of 10 years without expectation of repayment for at least three full financial years.

	2022 £000	2021 £000
Loan notes	1,548	–

As the interest rate takes into account the time value of money but not the potential credit risk, a fair value adjustment has been made. The loan has also been subject to a provision for expected credit loss under IFRS 9 of £15,000.

Further cash injections are planned, equating to £30 million by each party over the next five years. These will be based on proposals being subject to approval by both parties for new hydrogen refuelling station development.

Notes to the Consolidated Financial Statements continued

14. Intangible assets

	Software £000	Know-how £000	Development Costs £000	Total £000
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 1 May 2021	140	2,795	1,051	3,986
Transfers	–	542	(542)	–
Additions	282	–	6,754	7,036
Grant received	–	–	(150)	(150)
Transferred to Motive Fuels Limited	(55)	(231)	–	(286)
Cost at 30 April 2022	367	3,106	7,113	10,586
Amortisation at 1 May 2020	42	401	–	443
Charge for the year	46	228	–	274
Amortisation at 1 May 2021	88	629	–	717
Charge for the year	89	760	–	849
Transferred to Motive Fuels Limited	(10)	(51)	–	(61)
Amortisation at 30 April 2022	167	1,338	–	1,505
Carrying amount at 30 April 2022	200	1,768	7,113	9,081
Carrying amount at 30 April 2021	52	2,166	1,051	3,269

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.

During the year there was rapid development of our 3MEP 30bar designs as interest in the product grew. Besides the design of the electrolyser, more information about the performance of the core technology was gleaned from testing the prototype (£2.8 million capitalised).

Impairment considerations

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 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.

Management considered the recoverability of its internally-generated intangible asset, using fair value less costs to sell based on an adjusted market capitalisation of the Group. Given that the assets held make up the intellectual property that is key to potential future revenue generation of the Group and are thus intrinsic to its valuation, no impairment was deemed necessary.

15. Right of use assets

	Leasehold Property £000	Leased Vehicles £000	Office Equipment £000	Total £000
Cost at 1 May 2020	7,072	94	–	7,166
Additions	544	52	48	644
Disposals	(179)	(2)	–	(181)
Cost at 1 May 2021	7,437	144	48	7,629
Additions	896	122	8	1,026
Transferred to Motive Fuels Limited	(292)	–	–	(292)
Disposals	(214)	(24)	–	(238)
Cost at 30 April 2022	7,827	242	56	8,125
Depreciation at 1 May 2020	608	38	–	646
Charge for the year	698	45	2	745
Disposals	(159)	(2)	–	(161)
Depreciation at 1 May 2021	1,147	81	2	1,230
Foreign Exchange	–	(8)	–	(8)
Charge for the year	637	65	9	711
Transferred to Motive Fuels Limited	(24)	–	–	(24)
Disposals	(214)	(24)	–	(238)
Depreciation at 30 April 2022	1,546	114	11	1,671
Net book value at 30 April 2022	6,281	128	45	6,454
Net book value at 30 April 2021	6,290	63	46	6,399

The Group currently holds right of use assets in both the UK (four properties, 17 vehicles and office equipment at two sites) and Germany (three vehicles).

Right of use assets are depreciated over their lease term.

Notes to the Consolidated Financial Statements continued

16. Property, plant and equipment

	Production plant and equipment £000	Laboratory and test equipment £000	Computer Equipment £000	Office furniture and fittings £000	Leasehold improvements £000	Assets in the course of construction £000	Total £000
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 1 May 2021	7,579	2,257	1,283	322	13,514	5,387	30,342
Additions	452	423	500	217	692	1,956	4,240
Grant income	–	–	–	–	–	–	–
Transfer to Motive Fuels Limited	(3,311)	–	(35)	(23)	–	(4,021)	(7,390)
Disposals	(393)	(27)	(322)	–	(1,089)	(1,675)	(3,506)
Foreign Exchange	(1)	–	(1)	–	(1)	–	(3)
Cost at 30 April 2022	4,326	2,653	1,425	516	13,116	1,647	23,683
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 1 May 2021	5,894	1,821	882	110	2,855	5,266	16,828
Disposals	(393)	(27)	(322)	–	(1,089)	(1,675)	(3,506)
Charge for the year	277	120	283	35	913	–	1,628
Transfer to Motive Fuels Limited	(3,311)	–	(4)	–	–	(3,591)	(6,906)
Foreign Exchange	1	–	1	–	–	–	2
Depreciation at 30 April 2022	2,468	1,914	840	145	2,679	–	8,046
Net book value at 30 April 2022	1,858	739	585	371	10,437	1,647	15,637
Net book value at 30 April 2021	1,685	436	401	212	10,659	121	13,514

17. Inventories

	2022 £000	2021 £000
Raw Materials	24,311	3,879
Work in progress	7,887	2,539
	32,198	6,418

Inventories have been stated after a provision for impairment of aged-stock of £2.7 million (2021: £1.3 million). Stocks have increased as we have ramped up production to meet demand and have taken on new sales contracts that refocus the business as a manufacturer.

18. Contract balances and performance obligations

Contract revenue recognised through release from deferred income was £3.2 million (2021: £1.5 million).

	2022 £000	2021 £000
Contracts with customers in progress at the balance sheet date		
Amounts due from contract customers included in trade and other receivables	2,897	5,727
Contract assets (accrued income)	1,189	873
Contract liabilities (deferred income)	(17,258)	(6,740)
Balance sheet position of sales contracts	(13,172)	(140)

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 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 – at factory or at site – for all standard products), will cause increasing values to remain in deferred income for longer as the Group move away from bespoke projects.

Notes to the Consolidated Financial Statements continued

19. Trade and other receivables

	2022		2021	
	£000	£000	£000	£000
Amount receivable for the sale of goods	638		100	
Amounts due from contract customers (Note 18)	2,897		5,432	
Impairment for credit risk	(60)		(59)	
Total trade receivables		3,475		5,473
Restricted cash balances		297		1,050
Other receivables		2,459		503
Forward contracts		127		–
R&D relief claims receivable		426		550
Prepayments		11,972		6,526
Amounts recoverable from employees		2,186		3,183
Accrued sales income		1,189		873
Accrued grant income		3,411		4,823
		25,542		22,981

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 NIC on share options where, under the terms of the offer, staff will cover this cost upon exercise.

Other receivables represent indirect taxes reclaimable by the Group.

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:

	2022 £000	2021 £000
Less than 30 days	2,066	4,955
31-60 days	243	220
61-90 days	–	245
Greater than 91 days	1,226	112
	3,535	5,532

	2022 £000	2021 £000
Movement in expected credit loss		
Brought forward balance at 1 May	59	62
Impairment losses recognised	17	–
Movement on credit risk provision	(16)	(3)
Balance at 30 April	60	59

Our payment terms with customers are generally 30 to 60 days so items falling beyond those terms are chased up and monitored for potential default. A specific bad debt provision may arise.

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.

20. Cash and cash equivalents

	2022 £000	2021 £000
Cash and cash equivalents	365,882	176,078

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. Cash has increased since the previous year end due to the fund raise that took place in November 2021.

Notes to the Consolidated Financial Statements continued

21. Trade and other payables

	2022 £000	2021 £000
Trade payables	8,716	1,191
Other taxation and social security	726	511
Forward contracts	–	8
Accruals	3,323	2,112
Deferred Sales income	17,258	6,740
Deferred Grant income	3,752	1,751
Grant income received against pro forma	521	544
	34,296	12,857

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

As discussed in Note 18, the increase in deferred sales income is due to the move away from bespoke projects where revenue is recognised over time, to standard products with revenue recognition at point in time.

Overall, grant projects have reduced in number and deferred income against pro formas continues to reduce as those ongoing projects reach their conclusion.

22. Provisions

	Leasehold Property Provision £000	Warranty £000	Provision for contract losses £000	Other Provisions £000	Employers' National Insurance Provision £000	Total Provisions £000
Balance at 1 May 2020	(750)	(848)	(3,645)	–	(1,647)	(6,890)
Provision created in the year	(584)	(210)	(2,574)	(677)	(3,871)	(7,916)
Use of the provision	140	252	1,399	–	560	2,351
Release in the year	170	9	–	–	–	179
Balance at 1 May 2021	(1,024)	(797)	(4,820)	(677)	(4,958)	(12,276)
Provision created in the year	(36)	(2,163)	(15,052)	(1,330)	–	(18,581)
Use of the provision	206	18	7,379	509	–	8,112
Release in the year	–	4	–	168	805	977
Balance at 30 April 2022	(854)	(2,938)	(12,493)	(1,330)	(4,153)	(21,768)

In the balance sheet:

Expected within 12 months (current)	–	(1,145)	(9,453)	(456)	(4,153)	(15,207)
Expected after 12 months (non-current)	(854)	(1,793)	(3,040)	(874)	–	(6,561)

The leasehold property provision represents management's best estimate for the dilapidations work that may be required to return our leased buildings to the landlords at the end of the lease term. During the year we vacated another property. In the prior year we recognised a dilapidations provision for Bessemer Park 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 has started amortising in the current year and will continue over the remaining 13 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.

Notes to the Consolidated Financial Statements continued

22. Provisions continued

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 2020	(455)
Provision created in the year	(210)
Use of the provision	20
Release in the year	9
Balance at 1 May 2021	(636)
Provision created in the year	(1,965)
Use of the provision	18
Release in the year	4
Balance at 30 April 2022	(2,579)

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 offset the costs of the project as it reaches completion in future periods.

Provision is also made at the point when project forecasts suggest that the contractual clauses for liquidated damages might be triggered. The other provisions category relates to potential liquidated damages for overruns on contracts with customers. In the prior year there was also a provision for contractual breach by a supplier. However, an agreement was reached in the current year and the payment plan has been adhered to.

There is a provision for Employer's NIC due on share options as they exercise (see share-based payment Note 25).

23. Lease liabilities

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

	Leasehold Property £000	Office Equipment £000	Motor Vehicles £000	Total £000
2022				
Brought forward at 1 May 2021	6,388	44	54	6,486
Adjustments	303	–	(2)	301
Additions	597	8	123	728
Transferred to Motive Fuels Limited	(298)	–	–	(298)
Interest applied	483	3	5	491
Payments made	(467)	(11)	(82)	(560)
At 30 April 2022	7,006	44	98	7,148
Split:				
Within 1 year	911	12	56	979
2-5 years (inclusive)	3,660	38	47	3,745
Over 5 years	5,913	–	–	5,913
Less:				
Future finance charges	(3,478)	(6)	(5)	(3,489)
Present value of lease obligations	7,006	44	98	7,148
In the balance sheet:				
Due within 12 months (current)	564	10	52	626
Due after 12 months (non-current)	6,442	34	46	6,522

Notes to the Consolidated Financial Statements continued

23. Lease liabilities continued

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

Adjustments refers to foreign exchange movements and 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. In the current year, the latter situation arose at one of the properties where we had previously intended it to be a stop-gap measure so had only recognised up to the break clause but have since decided to continue in residence.

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 15). The two amounts together replace the previous accounting treatment of expensing rentals payments.

Total lease payments for capitalised leases and short-term leases was £816,000 (2021: £762,000).

24. Called up share capital and reserves

Called up, allotted and fully paid: (ordinary shares of 5p each)	Number of shares	£000
At 1 May 2021	550,658,155	27,533
Fund raise November 2021	62,500,000	3,125
At 30 April 2022	613,158,155	30,658

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

The share premium account 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.

Notes to the Consolidated Financial Statements continued

25. Share-based payments

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 Buy As You Earn or BAYE scheme);
- An Enterprise Management Incentive (EMI) and Unapproved Share Option Plan, under which Group employees can be granted share options; and
- A Long Term Incentive Plan (LTIP) under which Group employees can be granted share options or conditional share awards.

Share Incentive Plan

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

At 30 April 2022 the trustees of the SIP held 102,139 ordinary shares in ITM Power PLC, of which 99,122 have been conditionally awarded to employees and 3,017 remain unallocated.

The Group recognised a charge of £161,000 in relation to this scheme in 2022 (2021: £75,000).

EMI and Unapproved Share Option Plan and LTIP

In 2010 the Company introduced an EMI and Unapproved Share Option Plan to be applied to 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 three to five years and are exercisable up to the tenth anniversary of the grant. The last of the EMI share options were exercised in the prior financial year. As a general rule, unexercised awards granted to participants who leave employment, both pre- and post-vesting, will be forfeited. In the event a participant leaves as a result of a qualifying reason, they retain vested but unexercised share options but forfeit unvested share options.

The EMI and Unapproved Share Option Plan was replaced by a Long Term Incentive Plan in 2020. The exercise price for awards granted to date has been set at the nominal value for shares. Share options vest, subject to the achievement of performance conditions set at grant, over a period of 3 years and are exercisable up to the tenth anniversary of the grant. As a general rule, awards granted to participants who leave employment prior to vesting will be forfeited. In the event a participant leaves as a result of a qualifying reason, they receive a pro rata entitlement.

A more comprehensive description of the different schemes can be found within the Remuneration Report.

Movements within the year on the share option plans (including the EMI, unapproved and LTIP options) were as follows:

	2022		2021	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding at the beginning of the year	7,501,854	27p	10,486,500	36p
Granted during the year	1,431,837	5p	1,275,172	5p
Exercised during the year	–	–	(4,183,333)	44p
Expired during the year	(323,571)	5p	(76,485)	5p
Outstanding at the end of the year	8,610,120	24p	7,501,854	27p
Exercisable at the end of the year	5,666,667	30p	3,333,333	30p

The options outstanding at 30 April 2022 had a weighted average exercise price of 24p and a weighted average remaining contractual life of four years.

The fair value of options issued in the current year was measured using a combination of the Monte Carlo options pricing model and the Black Scholes model as options were split 60% based on total shareholder return (TSR) performance conditions and 40% based on non-market performance conditions. This is a change from our previous measures as options issued in the prior year were measured using the Monte Carlo option alone (as awards granted in the prior year were subject solely to a TSR performance condition) and prior to that all options were measured using the Black Scholes model. Wherever share options include a TSR performance condition, IFRS 2 requires the use of a model that can take into account the likelihood of the performance condition being achieved (hence the use of the Monte Carlo model) but for non-market-based performance conditions, the Black Scholes model suffices.

The assumptions used in the models are as follows:

Weighted averages	2022	2021
Share price	385.4p	256p
Exercise price	5p	5p
Expected volatility	89.5%	84.7%
Expected life	3 years	3 years
Risk-free rate	0.5%	-0.06%

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 in respect of any dividends paid over the vesting period.

Notes to the Consolidated Financial Statements continued

25. Share-based payments continued

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

	2022 £000	2021 £000
Share-based payment expense (as seen through equity)	1,071	595
Purchase of partnership shares under the BAYE scheme	200	75
Provision for Employers' NIC on potential gain	161	129
	1,432	799

For options granted prior to 2020, the Group has elected to pay Employer's NIC 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 NIC would be recovered from the exercising party. For options granted from 2020, the Group have agreed to transfer the full Employer's NIC liability to the employee share option holders.

26. Notes to the cash flow statement

	2022 £000	2021 £000
Loss from operations	(44,736)	(26,657)
Adjustments:		
Depreciation	2,340	2,321
Share-based payment	1,071	595
Foreign exchange on intercompany transactions	(43)	–
Fair value adjustment and expected credit loss on loan notes	359	–
Loss on disposal	–	173
Impairment	–	1,712
Amortisation	849	274
Operating cash flows before movements in working capital	(40,160)	(21,582)
(Increase) in inventories	(25,780)	(1,987)
(Increase)/decrease in receivables	(2,550)	185
Increase/(decrease) in payables	21,437	(1,156)
Increase in provisions	9,492	4,857
Cash used in operations	(37,561)	(19,683)
Interest paid	(532)	(479)
Income taxes (paid)/received	(62)	21
Net cash used in operating activities	(38,155)	(20,141)

27. Net cash reconciliation

	Lease Liabilities £000	Cash £000	Total £000
Net debt as at 1 May 2020	(6,526)	39,919	33,393
Adjusted	(16)	–	(16)
Cash flows	611	136,181	136,792
Acquisition – leases	(100)	–	(100)
Other changes – Interest expense	(455)	(22)	(477)
Net (debt)/cash as at 1 May 2021	(6,486)	176,078	169,592
Adjusted	(302)	–	(302)
Cash flows	552	189,897	190,449
Acquisition – leases	(436)	–	(436)
Other changes – interest expense	(476)	(93)	(569)
Net(debt)/cash as at 30 April 2022	(7,148)	365,882	358,734

28. Capital commitments

The Group had capital commitments of £0.6 million at the balance sheet date (2021: £1.1 million). There was also a further £1.9 million of costs to complete refuelling station equipment promised to Motive as part of the shareholders agreement for the joint venture.

29. Contingent liability
Receipt of government grants

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

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

Notes to the Consolidated Financial Statements continued

30. Financial instruments**Capital risk management**

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

The Group manages cash balances in Australian and US 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 and the increasing volumes of raw materials and stock required to fulfil our contracts, more frequent credit checks have been performed and bank guarantees sought from some suppliers where up-front payments were made.

Externally imposed capital requirement

During the year the Group was not required to comply with any externally imposed capital requirements.

Categories of financial instruments

	2022 £000	2021 £000
Financial assets – amortised cost		
Financial asset at amortised cost	161	148
Long-term loan notes	1,548	–
Trade receivables (excluding IFRS 9 impairment)	3,534	5,532
Restricted cash balances	297	1,050
Other receivables	2,459	455
Accrued Sales income	1,189	541
Accrued Grant income	3,411	4,823
	12,599	12,549

Both the loan notes and the financial asset at amortised cost sit under non-current assets in the balance sheet. The latter relates to the security deposit on our leasehold property at Bessemer Park. The rest of the Group's financial assets consist of cash and receivables that are largely due from large organisations with a strong credit history. Accrued income amounts are included as financial assets as they relate to contractual agreements that will result in future cash inflows. ITM Power PLC do not consider there to be undue risk associated with receivables.

	2022 £000	2021 £000
Financial liabilities – amortised cost		
Trade payables	8,716	1,191
Accruals	3,322	2,112
Lease liabilities	7,148	6,486
	19,186	9,789

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 £000
2022				
Trade and other payables	12,038	–	–	12,038
Lease liabilities	979	3,745	5,913	10,637
	13,017	3,745	5,913	22,675

	Within 1 year £000	2-5 years (inclusive) £000	Over 5 years £000	Total net payable £000
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

Notes to the Consolidated Financial Statements continued

30. Financial instruments continued**Fair value through profit and loss**

In both years, the Group held foreign currency forward contracts that were measured at fair value through profit or loss. The figures shown in Notes 19 and 21 represent 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 at fair value, no fair value hierarchy table has been presented.

The carrying value of all other financial instruments at 30 April 2022 and 30 April 2021 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 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 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 to 60 days under our usual contractual terms. At the year end, there were receivables totalling £1.0 million (2021: £0.4 million) that were overdue but considered fully recoverable. Most of our sales income is subject to contractual terms and therefore largely protected from default.

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.

These exposures were as follows:

		Liabilities		Assets	
		2022 £000	2021 £000	2022 £000	2021 £000
EUR	(i)	46	1,504	1,961	4,175
USD	(ii)	268	32	8	596
SEK	(iii)	33	–	–	–
AUD	(iv)	–	9	307	285
		347	1,545	2,276	5,056

(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 Krona 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.

Notes to the Consolidated Financial Statements continued**30. 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	
	2022 £000	2021 £000	2022 £000	2021 £000	2022 £000	2021 £000
Profit or loss	78	70	42	61	62	37

If interest rates had been 1% higher/lower and all other variables had remained constant, loss for the year would have decreased/increased by £181,000 (2021: £168,000).

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 three months.

Fair value of financial instruments

Carrying amounts of financial instruments are a reasonable approximation of the fair values of those instruments.

31. Transactions with related parties

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. All related party transactions which were not intra-group have been conducted at arms' length.

Tom Rae Consulting Limited, owned by director Tom Rae who was a Non-Executive Director of the Company during the financial year, has been engaged to carry out consultancy work equating to £2,000 in the current year. This was fully paid by year end.

During the year, purchases from Linde/BOC Group, represented on the Board by J Nowicki, totalled £0.5 million (2021: £3.5 million) with £114,000 outstanding for payment at year end (2021: £256,000). Furthermore, an amount of £0.6 million relates to stage payments made for goods but not yet received. There were also milestone billings on sales contracts of £7.0 million (2021: £0.4 million) with £1.7 million remaining outstanding at year end (2021: only £13,684).

Balances and transactions with ILE and Motive are discussed in Note 12 Investments.

The remuneration of the directors and key management personnel of the Group is shown in Note 8.

32. Controlling party

As at the date of these accounts neither the Directors together, nor any individual shareholder, owned more than 50% of the issued share capital of the Company and hence, in the opinion of the Directors, there is no controlling party at this date.

33. Events after the balance sheet date

After the balance sheet date, the Group announced that ITM Power had been awarded a contract by BEIS, under its Net Zero Innovation Portfolio Low Carbon Hydrogen Supply 2 Competition to accelerate the commercial deployment of the 5 MW Gigastack platform and its manufacture. The award for the Gigatest project is for £9.3 million and follows initial designs developed through previous BEIS funding competitions. The award is expected to be spread over a three-year period and is also expected to be back-end loaded.

In addition, at the time of the trading update in June, we announced the development of ITM Power Service, an aftermarket focused customer support business based in Germany designed to provide full product life cycle support of deployed electrolyser systems. All existing aftermarket operations, including the Group's 24/7 UK Remote Support Centre, will be merged into one focused organisation with new headquarters in Linden in Germany.

In September 2022, we reviewed our plans to open a second UK factory at Aviation Park, given the current business climate and general cost escalation. Our ambitions remain as strong as ever, but we need to be nimble and flexible, and we want to ensure investment decisions are correct and right for the business and considered fully before capital is committed. In the near-term extending the total capacity at Bessemer Park up to 1.5 GW is a better use of capital with commensurately improved near-medium term cash flows.

In September 2022 Dr Graham Cooley decided to step aside from his position as CEO of the Company after 13 years in post. The Company has commenced a process to select a new CEO. Dr Cooley will remain in position until a successor is appointed, and thereafter assume a senior strategic role in the Company, reporting to the Chairman and the new CEO.

Company Statement of Changes in Equity

	Called up share capital £000	Share premium account £000	Retained loss RESTATED £000	Total equity RESTATED £000
At 1 May 2020	23,664	137,236	(74,480)	86,420
Transactions with owners				
Issue of shares	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
Profit for the year and comprehensive income	–	–	7,515	7,515
Total comprehensive income	–	–	7,515	7,515
At 1 May 2021	27,533	302,248	(66,370)	263,411
Transactions with owners				
Issue of shares	3,125	240,075	–	243,200
Credit to equity for share-based payment	–	–	1,070	1,070
Total transactions with owners	3,125	240,075	1,070	244,270
Loss for the year and comprehensive loss	–	–	(5,621)	(5,621)
Total comprehensive loss	–	–	(5,621)	(5,621)
At 30 April 2022	30,658	542,323	(70,921)	502,060

Retained losses have been restated for a prior year adjustment to reverse the impairment on an investment (see Note 6).

Company Balance Sheet

	Note	2022 £000	2021 RESTATED £000
Fixed assets			
Tangible assets	4	21	8
Intangible assets	5	12	8
Investments	6	162,563	112,252
Loan notes	6	1,548	–
		164,144	112,268
Current assets			
Debtors	7	1,479	2,117
Cash at bank and in hand		340,409	152,556
		341,888	154,673
Creditors: amounts falling due within one year			
Trade and other payables	8	(1,704)	(611)
Provisions	9	(2,268)	(2,919)
		(3,972)	(3,530)
Net current assets		337,916	151,143
Net assets		502,060	263,411
Capital and reserves			
Called up share capital	10	30,658	27,533
Share premium account	10	542,323	302,248
Retained loss	10	(70,921)	(66,370)
Shareholders' funds		502,060	263,411

The Company reported a loss for the financial year ended 30 April 2022 of £5.6 million (2021: a restated profit of £7.5 million).

The financial statements of ITM Power PLC, registered number 05059407, were approved by the Board of Directors and authorised for issue 14 September 2022.

Signed on behalf of the Board of Directors

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 an estimated useful life of three years, using the straight-line method. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

Intangible assets – software

Software purchased from external companies has been recognised at cost under the heading of intangible assets. Amortisation is charged so as to write off the cost of assets over an estimated useful life of three years using the straight-line method and is recognised in income.

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 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.

The Company previously invested in 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 at meetings of the ILE board of directors. 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 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.

The Company holds 50% of the share capital of Motive since a partnership deal was signed with Vitol. There is no outright control by either party but ITM Power still has significant influence due to its representation on the board. As such, ITM Power accounts for this joint venture 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 ITM Power's profit or loss. Should any adjustments be necessary for changes in proportionate interest arising from changes in Motive'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.

Notes to the Company Financial Statements continued

1. Significant accounting policies continued

Financial instruments

Financial assets are recognised in the Company's balance sheet when the Company becomes party to the contractual provisions of the instrument. They are initially measured at fair value plus, in the case of financial assets 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 in two:

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. An analysis of historical default amongst our trade debtors was conducted and showed that less than 1% of sales over several years have resulted in default. The Group continue to trade with large entities with good credit scores but trading data is monitored annually to ensure that there are no significant changes to this percentage.

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 ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. There were no critical judgements that the Directors have made in the process of applying the Company's accounting policies.

Key sources of estimation uncertainty**Recoverability of investment**

The Company 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 intercompany loans or subsidiary investments have been impaired to nil. With a net asset position at the year end and its contribution to the valuable intellectual property of the Group together with the interest that that generates for revenue opportunities, the investment in ITM Power (Trading) Limited was not impaired. Any previous impairment relating to this entity has been reversed. Both the associate investment in ILE and the joint venture with Motive were also left un-impaired.

3. Staff numbers and costs

	2022 Number	2021 Number
Monthly average number of persons employed	6	6

	2022 £000	2021 £000
Staff costs during the year (including directors)		
Wages and salaries	1,504	1,007
Social security costs	235	131
Other pension costs	35	34
	1,774	1,172

	2022 £000	2021 £000
Remuneration of the highest paid director		
Aggregate emoluments	653	500
	653	500

As at 30 April 2022 pension contributions of £2,000 (2021: £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.

Notes to the Company Financial Statements continued**4. Tangible fixed assets**

	Computer equipment £000
Cost	
At 1 May 2021	205
Additions	24
Disposals	(128)
At 30 April 2022	101
Depreciation	
At 1 May 2021	197
Charge for the year	11
Disposals	(128)
At 30 April 2022	80
Net book value	
At 30 April 2021	8
At 30 April 2022	21

5. Intangible assets

	Software £000
Cost	
At 1 May 2021	22
Additions	14
At 30 April 2022	36
Amortisation	
At 1 May 2021	14
Charge for the year	10
At 30 April 2022	24
Carrying amount	
At 30 April 2021	8
At 30 April 2022	12

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

6. Investments

	Loans to subsidiary undertakings £000	Investment in subsidiary undertakings RESTATED £000	Investments in associates and joint ventures £000	Total £000
Cost				
At 1 May 2021	11,091	149,327	259	160,677
Additions	50,088	1,500	338	51,926
Waiving of Motive intercompany loan (akin to capital contribution)	(4,685)	4,685	–	–
Disposal of ITM Motive Limited	–	(6,185)	1,500	(4,685)
Foreign exchange	–	(1)	(22)	(23)
Share options granted to subsidiary employees	–	789	–	789
50% share of loss	–	–	(10)	(10)
Transfers	(48,255)	48,255	–	–
At 30 April 2022	8,239	198,370	2,065	208,674
Provisions for impairment				
At 1 May 2021 (restated)	11,091	37,334	–	48,425
Movement in year	(2,852)	5,222	–	2,371
Disposal of ITM Motive Limited	–	(4,685)	–	(4,685)
At 30 April 2022	8,239	37,872	–	46,111
Net book value				
At 30 April 2021 (restated)	–	111,993	259	112,252
At 30 April 2022	–	160,498	2,065	162,563

Notes to the Company Financial Statements continued

6. Investments continued

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	2022 £000	2021 £000
ITM Power GmbH	255	3,579
ITM Power (Trading) Limited	48,000	32,699
	48,255	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 assessment 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 and based on the Group's market capitalisation less relevant adjustments to reflect ITM Power (Trading) Limited is a private company. This triggered a prior year adjustment of £74.7 million to reverse previous impairments on this asset. The net book value remaining on investment in subsidiary undertakings, both in this financial year and the previous financial year, relates solely to ITM Power (Trading) Limited.

As a result, figures have been restated in both this investment note and the Company Statement of Changes in Equity. The opening balance on impairment of subsidiary undertakings has been adjusted by £74.7 million. The opening balance on retained earnings in the prior year was adjusted by £50.3 million and the loss for the year as previously reported of £16.9 million has been restated by £24.4 million to a reported profit of £7.5 million.

The Company holds 100% of the ordinary share capital of ITM Power (Trading) Limited, a company which is incorporated in England and Wales and its principal activity is the development and manufacturing of prototype products.

The Company holds 100% of the ordinary share capital of ITM Power (Research) Limited, a company which is incorporated in England and Wales and its principal activity is the research and development of scientific and engineering projects. The company was dormant during the year.

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

The Company holds 100% of the ordinary share capital of Orkney Hydrogen Trading 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 investments in associates and joint ventures are discussed in more detail in Note 12 to the consolidated financial statements but relate to the investment in ITM Linde Electrolysis GmbH and in Motive Fuels Limited.

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. ITM Power and Linde Engineering GmbH both 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.

The Company previously held 100% of the ordinary share capital of ITM Motive Limited, a company which is incorporated in England and Wales and its principal activity is the retail sale of automotive fuel in specialised stores. Following incorporation prior to last year end, the company remained dormant up until 1 May 2021 when the hydrogen refuelling station operations were transferred from ITM Power (Trading) Limited. The company was part of the Group until the end of March 2022, when a joint venture agreement was signed with Vitol. As part of the investment agreement and prior to the Vitol transaction, ITM Power PLC waived the intercompany loan of £4.7 million. This has been accounted as an impairment during the year.

The entity changed its name to Motive Fuels Limited on completion of the Vitol transaction. ITM Power PLC retained 50% of the ordinary share capital. This granted significant influence and joint control through parity in representation on the company's board of directors and rights over its share of the net assets of the business. The Company began accounting for the investment in joint venture at cost, including the cost of share capital and capitalised professional fees. ITM Power PLC is subsequently equity accounting for its share of the profit or loss.

Notes to the Company Financial Statements continued**7. Debtors: amounts falling due within one year**

	2022 £000	2021 £000
Prepayments	389	318
Amounts recoverable from employees	1,002	1,771
Other debtors	88	28
	1,479	2,117

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

8. Trade and other payables

	2022 £000	2021 £000
Trade creditors	3	119
Payroll creditors	47	33
Intercompany creditor	1,253	–
Accruals and deferred income	401	459
	1,704	611

9. Provisions

	Employers' NIC on share options £000
Balance at 1 May 2021	(2,919)
Provision created in the year	–
Use of the provision	–
Release in the year	651
Balance at 30 April 2022	(2,268)

10. Share capital and reserves

The movements on share capital and share premium accounts are disclosed in Note 24 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 balances with both ILE and Motive are shown under Investments in associate and joint ventures in Note 6 and the transactions with those entities are described more fully in Note 12 to the consolidated financial statements. These were the only transactions made with those entities in the year.

Glossary

Term	Meaning
AIM	the Alternative Investment Market operated by the London Stock Exchange
AQRT	the Audit Quality Review Team from the UK Financial Reporting Council
BAYE	ITM Power PLC Buy As You Earn Plan (a SIP)
BEIS	UK Department for Business, Energy and Industrial Strategy
blue hydrogen	hydrogen derived from natural gas through the process of steam methane reforming – however, this produces CO ₂ which must then be captured and safely stored
BMBF	German Federal Ministry of Education and Research
Board (the)	the board of directors of ITM Power PLC
CCS	carbon capture and storage
CEO	Chief Executive Officer
CfD	Contract for Difference
CFO	Chief Financial Officer
CO₂	carbon dioxide
Companies Act	UK Companies Act 2006
Company (the)	ITM Power PLC, registered in England and Wales number 5059407
COP26	26th session of the UN Climate Change Conference of the Parties that took place from 31 October to 13 November 2021 in Glasgow, Scotland
COP27	27th session of the UN Climate Change Conference of the Parties taking place from 7 to 18 November 2022 in Egypt
COVID-19	the coronavirus disease-19
CTO	Chief Technology Officer
EBITDA	earnings before interest, tax, depreciation and amortisation
EDI	equity, diversity and inclusion
EMI	enterprise management incentive
EPC	engineering, procurement and construction

Term	Meaning
ESG	environmental, social and governance
EU	European Union
FCH-JU	EU Fuel Cells and Hydrogen Joint Undertaking
FEED	front end engineering design
FID	final investment decision
FIFO	first in, first out
FVOCI	Fair Value through Other Comprehensive Income
FTO	freedom-to-operate
FY21	the financial year ended 30 April 2021
FY22	the financial year ended 30 April 2022
FY23	the financial year ending 30 April 2023
GEP	current generation 2.5 MW stack platform
GHG	greenhouse gas(es)
green hydrogen	hydrogen created solely from renewable energy and water through the process of electrolysis; this results in a clean, zero-emission fuel
grey hydrogen	the most common form of hydrogen, produced by reforming natural gas (methane); this results in substantial carbon emissions
Group (the)	the group of companies headed by ITM Power PLC
GW	gigawatt (one billion watts, 10 ⁹ watts)
HSE	health, safety and environment
IEA	International Energy Agency
IEEFA	Institute for Energy Economics and Financial Analysis
ILE	ITM Linde Electrolysis GmbH, our joint venture with Linde
IP	intellectual property
IPCEI	EU 'important project of common European interest'
LTIP	ITM Power PLC Long Term Incentive Plan
MEP	current generation 0.7 MW stack platform

Term	Meaning
Motive	Motive Fuels Limited (formerly ITM Motive Limited, our joint venture with Vitol), registered in England and Wales number 13290733
MW	megawatt (one million watts, 10 ⁶ watts)
NED	Non-Executive Director
NIC	National Insurance Contributions
NOMAD	nominated advisor
PEM	proton exchange membrane
PGM	platinum group metal(s)
QCA Code (the)	The Quoted Companies Alliance Corporate Governance Code 2018
R&D	research and development
RIDDOR	UK Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013
SDGs	UN Sustainable Development Goals
SIP	share incentive plan, a type of tax-advantaged all-employee share plan offered to eligible UK employees
SMR	steam methane reformer
SONIA	Sterling Overnight Index Average
SOP	ITM Power PLC Share Option Plan: EMI and Unapproved
stack	a stack of cells that perform electrolysis
STEM	science, technology, engineering and maths
TCFD	Task Force on Climate-related Financial Disclosures
TSR	total shareholder return
UK	United Kingdom
UN	United Nations
US IRA	US Inflation Reduction Act of 2022
WIP	work-in-progress

Officers, Professional Advisors and Useful Contacts

Officers

Directors:	See biographies from page 41
Executive Committee:	Dr Graham Cooley, CEO Andy Allen, CFO Dr Simon Bourne, CTO Dr Rachel Smith, Services Director Tim Calver, Commercial Director Martin Clay, Operations Director Chris Yewdall, Projects Director
Investor Relations:	James Collins, Justin Scarborough
Marketing and Press:	Sharon Poulter

Advisors

Nominated advisor and broker:	Investec Bank plc 30 Gresham Street London EC2V 7QP
External auditor:	Grant Thornton UK LLP 1 Holly Street Sheffield S1 2GT

Useful contacts

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