Company Registration No. 5059407

ITM POWER PLC

Report and Financial Statements

Year ended 30 April 2009

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ITM POWER PLC

REPORT AND FINANCIAL STATEMENTS 2009

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ITM POWER PLC

REPORT AND FINANCIAL STATEMENTS 2009

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

P Hargreaves
G Cooley
D J Highgate
Lord Peter Walker
R Putnam

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Lincolnshire PE9 2BD

SOLICITORS

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Bristol BS1 4AH

AUDITORS

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Cambridge CB2 1RY

PRESS AND INVESTOR ENQUIRIES

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131 Finsbury Pavement
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EC2A 1NT

ITM POWER PLC

HIGHLIGHTS

Key Points:

1) A comprehensive review of the Company's activities was initiated in January, completed in April and accepted by the Board in May as a basis of future policy actions. The principal recommendations included:

    i) The relocation of the Company's Cambridge office and consolidation in Sheffield where there has also been a reduction in facilities;

    ii) Redefinition of the development objectives to widen the range of potential commercial activities to include product substitution into the existing electrolyser market;

    iii) Formulation of a clear public information and PR process to: Develop - Demonstrate - Publicise - and Engage with potential commercial partners; and

    iv) To establish a co-ordinated administrative structure for Science-Technology-Engineering-prototype production all based at Sheffield.

2) Appointment of Dr Graham Cooley as new CEO based at Sheffield.

3) Public demonstration of the Zero Carbon Home system to meet the mandated requirement for all newly built homes to be zero carbon from 2016, and a Head of Agreement with a first potential demonstration building application.

4) Head of agreement with Heliocentris Energiesysteme GmbH to test, evaluate and subsequently market ITM's small passive electrolyser as part of the Heliocentris product range.

5) Completion and internal operation of the Company's 1kW fuel cell system: the stack modules have been built and tested to 1kW, the balance of plant designed and engineered to be ISO compliant, and built and tested internally.

Peter Hargreaves, Chairman of ITM commented:

"We live in a time when the hoped for revival in the world economy is widely predicted to lead to a significant increase in oil prices and, this taken together with the growing awareness of the need to cut carbon emissions makes the technology ITM is developing both timely and relevant. The Company has been restructured and its activities refocused and the first examples of the challenges that ITM's technology is designed to meet have been showcased in the past month, combined with the recruitment of Dr Cooley, I believe the Company is well positioned for the future"

CHAIRMAN'S STATEMENT

Chairman's Statement

I am pleased to report the results for the year ended 30 April 2009, and update shareholders on the results of the review of the Company's activities which has been undertaken, and of which the first results are now clear.

In my half yearly statement I felt it necessary to remind shareholders that ITM is a company involved in the difficult process of bringing a new technology to market; this involves converting the laboratory science into prototype product, a process which involves significant engineering effort. Until that process has been completed, it cannot be clear how effective or commercial the Company's materials and products will be, and I therefore reminded shareholders that much remained to be done, both to determine the commercial value of the technology and to derive commercial benefit from any resulting products. However, in the same report it was noted that 'the first cost estimates of our complete prototype electrolyser units indicate that they could be manufactured to be commercially competitive with existing available systems....' a good starting point for the development of a commercial strategy based upon the substitution of ITM's products for competitive products in the existing electrolyser market.

It is against this background that Jim Heathcote our first CEO left the Company and I led the Board in seeking a thorough review of the Company, its objectives and structure. This review was carried out by Roger G Putnam and Dr Donald J Highgate who I would like to thank in this statement and the report and recommendations were accepted by the Board in April of this year.

As a result of the review, the Company has been refocused and reorganised:

i. To reduce costs by relocating the Cambridge office, and making redundancies of approximately 10% of staff;

ii. Integrating the management of Science, Technology, Engineering and Prototype Production, to ensure that ITM's materials technology can be rapidly and effectively converted into prototype products for evaluation and demonstration;

iii. Redefining the Commercial Objectives to widen the basis of potential income to include sales into existing markets, funded demonstration and collaborative development programmes;

iv. Establishing a new PR framework; and

v. Appointing Dr Graham Cooley as new CEO to take the Company forward.

The first fruits of these new policies are now becoming clear in the shape of the Zero-Carbon Home demonstration showcasing the Company's new low pressure electrolyser system, the demonstration of the equipment to provide High Pressure Hydrogen on site and the agreement with Heliocentris to evaluate the ITM Small passive Electrolyser for integration into Heliocentris' product range. Further demonstration launch days are planned to focus public and partner attention on a broad range of additional commercial application areas open to the Company's core technology and to allow ITM to make contact with the strategic partners that are essential if the Company is to maximise the value of its technology.

It is particularly pleasing to see the level of interest in the ITM Zero Carbon Home package, and demonstrates applications for its technology beyond the home refuelling unit made public last year.

CHAIRMAN'S STATEMENT

Financials

The loss for the year increased from £4.0m to £5.2m, in line with the Group's budget. Capital expenditure for the year under review decreased from £1.2m to £0.9m and during the year the Group's cash and cash equivalents balance reduced from £26.9m to £21.8m. The increase in operating costs reflects the strengthening of the technical and engineering teams as well as the significant investment made in systems to demonstrate the various uses for the Hydrogen generated by the Group's products at the Prototype Production Facility in Sheffield. The increases in these teams have taken the Company's average headcount from 52 to 61 for the period under review.

The past year has seen unparalleled concern for the health of the entire financial system. In these circumstances the Board insisted on safety as the principal investment criteria for the Company's funds. This was achieved by placing funds not needed to meet immediate running expenses into short dated UK government Gilts. Subsequently the stabilisation of the banking system and the UK government support for the major UK banks has allowed the group to place money on deposit with its bankers NatWest. As mentioned above, at the year end, the Group held cash at bank of £21.8m ensuring the Group is still in a strong position to execute its commercial plans. In the year under review the Group had interest received of £1.3m however the unprecedented decrease in interest rates in the UK has meant that the Group will not earn significant interest from its cash and short term deposits until rates increase.

Following the year end, on 2 June, an announcement was made that the Group would be transferring all functions to its existing sites at Sheffield and closing an analytical laboratory facility at Sheffield. As part of this process the Group proposed making a number of redundancies amounting to approximately 10% of the workforce. These redundancies have now been completed and the annualized cost saving of these actions amounts to £550,000.

ITM continued to maintain tight control over cash expenditures during the year under review and we shall continue to monitor budgets carefully. Operating costs in FY 2010 will increase in some areas as we see the full year impact of employees hired during FY 2009 in the technical and engineering teams mentioned above but this increase will be offset by the savings that derive from the redundancies in other areas and actions announced on 2 June.

After the Financial Year End the Group received a payment from HM Revenue and Customs of £552,000 against a claim for R&D Tax credits relating to FY 2008. This amount has not been recognised in the accounts since the Group is currently in discussion with HMRC. These amounts, once finalised will be recognized in the FY 2010 accounts and a similar claim is being pursued for FY 2009.

The Board is not recommending payment of a dividend in accordance with the dividend policy stated at the time of the IPO.

Commercial Considerations

One important conclusion of the Review has been the recognition that the Company's technology is sufficiently developed to offer entry into the existing electrolyser market. This requires less exacting standards of performance and cost than would be needed to create entirely new markets. The existing market is mature and offers the potential for product substitution on a time scale much less than would be required to develop new markets: it has not featured in ITM's previous commercial plans.

In addition, the Board recognises that for ITM to make a significant market entry the Company will need to engage with strategic partners in order to be able to contribute technical and commercial assistance to the production and sales of ITM's products. The Board have agreed a coherent plan to showcase ITM's platform technology in a number of areas as part of the programme necessary to make the necessary contacts with potential users and partners. This process has commenced with the recent public demonstration day and will continue at regular intervals for the coming months.

Central to this approach is the professional dissemination of Company information and the effective projection of the Company's vision. The Board have recently reviewed the publicity and PR process and have instituted a new PR structure:

i. The appointment of New Century Media charged with the task of ensuring that ITM and ITM's technology is well known at the highest level in industrial and political circles.

ii. Tavistock Communications, who provided assistance and support for the Company during and after the IPO have been appointed to act for ITM in matters relating to finance and shareholder interests to ensure that the Company's public position as it has developed during the past nine months is fully understood.

CHAIRMAN'S STATEMENT

Commercial Considerations (continued)

ITM continues to liaise with Health and Safety Executive ("HSE") and external consultants to ensure that the installation of its electrolyser systems is in accordance with relevant regulatory requirements. A High Pressure Hydrogen generation station able to supply hydrogen at pressures up to 350 bar has been completed and successfully operated at the Sheffield Prototype Production Facility. This has been constructed to be ISO compliant and has been designed with the knowledge and assistance of the HSE and in accordance with their advice, and will allow ITM to offer a refuelling facility to suitable hydrogen fuelled vehicles and other industrial applications.

The Cooperation Research and Development Agreement concluded in December 2007 with the US Naval Undersea Warfare Centre continues, ITM has provided the necessary technical data as requested and await the decision of the USNUWC as to its future.

The agreement with Renewable Energy International has terminated. REI has been wound up without financial or other liability to ITM.

More importantly:

(i) a Head of Agreement has been signed (July 2009) with Groundworks Northeast to design and subsequently supply ITM's Zero Carbon Home pack to a development being undertaken in South Tyneside. This represents the first application of the Company's technology derived from the new programme of public demonstrations.

(ii) a Head of Agreement has been signed (July 2009) with Heliocentris to supply examples of the ITM Small Passive Electrolyser for evaluation, joint development and subsequent sale as part of the Heliocentris range.

These agreements represent the first fruits of the policy of refocusing the Company's efforts to engage with potential collaborators able to provide technical support and routes to market in both new and existing electrolyser markets; they represent a small but significant step forward and offer real encouragement for the future.

Technical Developments

Electrolyser Developments:

Small Passive Electrolyser: Scientific, technical and engineering developments have been combined into the small electrolyser which is the subject of the development agreement with Heliocentris. This unit is self contained and produces both hydrogen and oxygen at a pressure of 15 bar suitable for use in laboratory and industrial environments, or powered by local photo-voltaic or wind power and can form the basis of small, self contained, off grid energy systems.

Zero Carbon Home Energy Pack: The UK Government has mandated the construction of Zero Carbon houses for all new builds after 2016, but no coherent engineering system exists to meet this requirement. ITM has constructed and demonstrated a 3-10kW differential pressure electrolyser system which when combined with a store and ITM re-converter, is designed to meet this requirement. This was shown publicly on 7 July 2009 and has excited significant public and technical reaction.

The electrolyser represents a significant step forward in terms of cell stack design operating as it does at 15 bar hydrogen pressure compatible with storage at typical propane gas pressure, and with low oxygen pressure which greatly simplifies the balance of plant and reduces overall system cost.

Catalyst Deposition: Because ITM uses unique membrane materials it has experienced difficulties in obtaining commercial quantities of catalyst coated materials to enable the Company to move beyond laboratory scale production. The Company has recently been successful in developing routes to deposit catalyst materials directly onto its hydrophilic membrane materials, this process (for which patents have been applied) operates at low temperature and is therefore suitable for ITM's materials where it offers considerable benefits both in procurement cost and operating efficiency. These research and development programmes continue and have been accelerated following the recent reorganisation of the Company.

CHAIRMAN'S STATEMENT

Technical Developments (continued)

Fuel Cell Developments:

In accordance with the objective, set out in the last Full Year Report, to develop a 1kW hydrogen oxygen fuel cell and balance of plant for demonstration in mid 2009, I am pleased to report that the Company has successfully designed, constructed and is currently test operating a modular 1kW cell stack and compatible balance of plant in its laboratories. The unit is divided into 200W units and has achieved its design performance at a power density of 1 Watt/cm^2, at low operating temperature making it suitable for applications which require rapid start-up and shut-down of the fuel cell unit. In order to facilitate prototype production, the unit is designed to achieve this power density using commercially available catalyst systems.

The balance of plant has been designed to meet current ISO regulations, and following a public demonstration expected in the early autumn, the unit will be transferred to the Engineering department for cost reduction engineering and prototype development.

Internal research to achieve higher power densities shows considerable promise and continues under the revised organisational system.

Board and Staff

Appointment of a new CEO:

I am very pleased to be able to include in this review the announcement of the appointment of Dr Graham Cooley as the new CEO of ITM Power. Graham brings great energy and enormous personal experience of the energy industries to the task of managing and directing ITM.

The recent past has been difficult and painful because we have had to make a number of our staff redundant; however, I have been very encouraged by the continued enthusiasm and support of the rest of our staff and the very real progress that has been apparent in the past three months under the direction of Professor Roger Putman and Dr Donald Highgate.

I believe that ITM has been refocused and redirected in a very positive way and that this will be an excellent basis for Dr Graham Cooley, our new CEO from which to work.

Outlook

The immediate outlook for ITM has been defined by the recent review. Financially the Company is secure; the cost base has been stabilised and will be rigorously monitored. Technically the reorganisation has begun to show tangible results which will be evidenced in the continuing and accelerating programme of 'showcase' events, each designed to highlight a separate area of application for ITM's core technology. Most importantly these events are designed to serve as a catalyst for the new PR process and to contribute to ITM's 'outward reach' for strategic partners to assist in the commercialisation of our technology.

Among the events planned for the coming months are:

- A high pressure hydrogen production unit container mounted to bring hydrogen to site for commercial industrial and transport applications;
- The remote control of electrolysers and Zero Carbon Home power units over the internet;
- An ITM small passive electrolyser powered from a PV panel for remote and standby applications; and
- ITM fuel cell and application scenarios.

After a difficult period for the Company I believe that it is now set on a more productive course better able to yield the results we all wish to see delivered.

Peter Hargreaves

Chairman

BOARD OF DIRECTORS

P Hargreaves, Non-executive Chairman (age 62)

Peter joined the Board of ITM in February 2004 as a non-executive director. After qualifying as a chartered accountant he was employed by KPMG, Unisys and Whitbread and Company Limited. In 1981 he founded the national investment brokerage Hargreaves Lansdown PLC where he remains as Chief Executive Officer.

G Cooley, Chief Executive Officer (age 45)

Graham joined ITM on 29 June 2009 as Chief Executive Officer. Before joining Graham was CEO of Sensortec and Universal Sensors, founding CEO of Metalysis Ltd, a spin out of Cambridge University, and founding CEO of Antenova Ltd. Graham spent 11 years in the power industry developing conducting polymers, fuel cells, batteries and energy storage technologies. He was Business Development Manager for National Power Plc and International Power Plc and developed the Regenesys energy storage technology which was acquired by RWE from Innogy. Graham specialises in turning intellectual property and technology into products; identifying the product strategy and business model required to enter a target market and generate growth. He has a Degree in Physics, PhD in Materials Technology and an MBA.

D J Highgate, Director of Research (age 68)

ITM's Director of Research, Dr Donald Highgate, has a background in hydrophilic polymer chemistry. In 1995, he spotted an opportunity to use his experience to develop a new class of low-cost membrane polymers, which are at the heart of a PEM fuel cell. This enabled him to simplify fuel cell architecture by devising an in situ manufacturing process, using the new polymers, with the potential to significantly reduce the costs of fuel cell - and electrolyser - mass production.

Lord Peter Walker, Non-executive director (age 77)

Lord Walker was a member of all Conservative Cabinets between 1970 and 1990, holding several posts including Secretary of State for Trade and Industry (including Energy), Secretary of State for the Environment and Secretary of State for Energy. He is currently Chairman of Allianz Cornhill Insurance plc and a non-executive director of The London International Financial Futures and Options Exchange. After retiring from the Cabinet, Lord Walker became Chairman of international investment bank, Kleinwort Benson Group plc and is now Vice Chairman of Dresdner Kleinwort Wasserstein.

R Putnam, Interim Manager and Non-executive director (age 63)

Roger Putnam, the former Chairman of Ford of Britain is currently President of the Society of Motor Manufacturers and Traders and a member of the Government's Energy Review Partnership. The Partnership will report to the Chancellor on the country's future energy strategy. Other directorships include: Chairman of Jaguar Daimler Heritage Trust, the DTI's Retail Motor Strategy Group and Deputy Chairman of Motorsport Development UK. He is also a visiting professor of Automotive Studies at the City of London University. Roger's distinguished career in the automotive industry began at Lotus Plc. In 1982 he joined Jaguar Cars Ltd as director, marketing and UK sales operations. In 1985 Roger was appointed to the board of Jaguar as Director, Sales and Marketing, a role he retained until he was appointed Chairman of Ford of Britain in 2002.

DIRECTORS' REPORT

The directors present their annual report on the affairs of the Group, together with the financial statements and auditors' report, for the year ended 30 April 2009.

PRINCIPAL ACTIVITIES

The principal activity of the Group is the research and development of scientific and engineering projects.

The subsidiary and associated undertakings principally affecting the profits or net assets of the group in the year are listed in note 28 to the financial statements.

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

The company is required by the Companies Act to include a business review in this report which is contained within the Chairman's statement on pages 3 to 6.

The Group has continued developing the technology to produce hydrogen by electrolysis from sustainable resources of the electricity grid, and its reconversion using fuel cells, internal combustion engines or as an alternative to Natural Gas.

The Group measures performance against the key indicator of cash burn as indicated below in Principal Risks and Uncertainties.

RESEARCH AND DEVELOPMENT

During the year the Group incurred research and development related costs of £3,579k (2008 - £3,926k).

PRINCIPAL RISKS AND UNCERTAINTIES

Management considers the financial health of the Group by looking at the overall level of cash and short-term deposits and operating cash flows.

As at 30 April 2009, the Group had cash, cash equivalents and short term deposits totalling £21,794k (2008 - £26,947k) and the net operating cash outflow for the year was £5,651k (2008 - £5,195k).

The principal commercial risks to the Group are as follows:

- the risk that the Group does not manage to develop products for commercial use before existing competitors or new entrants;
- the risk that the Group runs out of funds before reaching commercial success and generating significant income; and
- the risk that the alternative technologies are adopted in preference to the Group's technology.

The Group's activities expose it to a number of financial risks including interest rate risk, cash flow risk and liquidity risk. The use of financial instruments is governed by the Group's policies approved by the board of directors, which provide written principles on the use of financial instruments to manage these risks. The Group does not use derivative financial instruments for speculative purposes.

Interest rate risk

The Group financial assets include sterling cash deposits and cash at bank and in hand which are part of the financing arrangements of the Group. The sterling cash deposits comprise amounts placed on deposit at fixed interest rates for periods of up to one year and at call. The Group seeks to maximise interest receipts within these parameters. Interest receipts are earned on deposits at the prevailing rate. The Group's policy is to minimise the risk by placing funds in low risk cash deposits but to also maximise the return on funds placed on deposit.

DIRECTORS' REPORT (continued)

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

Cash flow risk

Interest bearing assets and liabilities are held at fixed rate to ensure certainty of cash flows.

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Group uses equity finance.

Information about the use of financial instruments by the company and its subsidiaries is given in note 21 to the financial statements.

GOING CONCERN

The Directors have considered the risks and uncertainties set out above, prepared and examined the cost budgets for the coming year and reviewed the level of cash balances. As a consequence, the Directors believe that the Group is well placed to manage its business risks despite the current uncertain economic outlook. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

DIVIDENDS

The directors do not recommend a dividend payment for the year (2008 - nil).

DIRECTORS

The following Directors served during the year:

Peter Hargreaves
Roger Putnam
Donald Highgate
Lord Walker
Jim Heathcote (resigned 20 February 2009)

Following the year end Graham Cooley was appointed on 29 June 2009.

Peter Hargreaves and Donald Highgate retire by rotation at the next annual general meeting and, being eligible, offer themselves for re-election.

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

	Ordinary shares of 5p each At 30 April 2009 No	Ordinary shares of 5p each At 30 April 2008 No
P Hargreaves	8,775,310	8,775,310
R Putnam	-	-
D J Highgate	12,522,728	12,522,728
Lord Peter Walker	121,681	121,681
F J Heathcote	1,582,500	1,582,500

DIRECTORS' INDEMNITIES

The company has made qualifying third party indemnity provisions for the benefit of its directors, which were made during the year and remain in force at the date of this report.

DIRECTORS' REPORT (continued)

SUPPLIER PAYMENT POLICY

The group's policy is to settle terms of payment with suppliers when agreeing the terms of each transaction, ensure that suppliers are made aware of the terms of payment and abide by the terms of payment. Trade creditors of the group at 30 April 2009 were equivalent to 24 (2008 - 35) days' purchases, based on the average daily amount invoiced by suppliers during the year.

CHARITABLE AND POLITICAL CONTRIBUTIONS

During the year, the group made no charitable or political donations.

SUBSTANTIAL SHAREHOLDINGS

On 30 June 2009 the company had been notified, in accordance with chapter 5 of the Disclosure and Transparency Rules, of the following voting rights as a shareholder of the company.

Name of holder	Percentage of voting rights and issued share capital	No. of ordinary shares
D J Highgate	12,522,728	12.3%
J A Lloyd	10,631,016	10.4%
P Hargreaves	8,775,310	8.6%*
J D A Wreford	6,886,363	6.7%
Allianz Global Investors	5,749,931	5.6%

* of this total 3,439,000 are held by a discretionary trust on behalf of the shareholder.

AUDITORS

Each of the persons who is a director at the date of approval of this annual report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- the director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them as auditors will be proposed at the forthcoming Annual General Meeting.

Approved by the Board
and signed on its behalf by:

G Cooley Director

CORPORATE GOVERNANCE REPORT

PRINCIPLES OF CORPORATE GOVERNANCE

ITM Power Plc (the "Company") is committed to high standards of Corporate Governance. The Board is accountable to the Company's shareholders for good governance in its management of the affairs of the Group. The Directors acknowledge the importance of the principles of corporate governance contained in the Combined Code. As an AIM quoted company, ITM Power is not obliged to comply with the full requirements of the Combined Code however the Board intend to comply with its main provisions as far as reasonably practicable having regard to the size of the Group.

The Board recognises the importance to shareholders of Corporate Governance disclosure and to this end the Company has developed a set of disclosures that it feels are consistent with the Group's size and the constitution of the Board and intends to continue to develop these disclosures as the Group grows.

The Directors intend to comply with Rule 21 of the AIM Rules relating to directors' dealings as applicable to AIM companies and will also take all reasonable steps to ensure compliance by the Group's applicable employees.

THE BOARD

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

Director	Role	Remuneration Committee	Audit Committee	Nominations Committee	Executive Committee
P Hargreaves	Non-executive Chairman	✓	✓	✓	
G Cooley	Chief Executive Officer			✓	✓
D J Highgate	Director of Research			✓	✓
Lord Peter Walker	Non-executive Director	✓	✓		
R Putnam	Non-executive Director	✓			✓

BALANCE OF THE BOARD

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

CORPORATE GOVERNANCE REPORT

MATTERS RESERVED TO THE BOARD'S ATTENTION

The Board has a formal schedule of matters reserved for its decision covering the following areas:

- Management structure and appointments
- Strategic/Policy considerations
- Material transactions
- Finance
- General governance and capital matters

COMMITTEES

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

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

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

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

The Executive Committee comprises Roger Putnam as Chairman, Dr Donald Highgate, Marcus Scott (CFO) and Dr Simon Bourne (Head of Technology Group). The Committee regularly meets to consider business development, management issues and financial performance of the Company.

A copy of the Terms of Reference for these committees and the terms of appointment of each of the Non-Executive Directors can be obtained by contacting the Company Secretary at the Company's Head Office.

In addition, the Board receives reports and recommendations from time to time on matters, which it considers significant to the Group.

CORPORATE GOVERNANCE REPORT

BOARD MEETINGS

The Board scheduled 4 meetings in the calendar year ending April 2009 and additional meetings were convened when required. The table below shows the attendance of Directors at regular Board meetings and at meetings of the Committees during the year.

The Board is supplied in a timely manner with information in a form and of a quality appropriate to enable it to discharge its duties.

	Regular Board Meetings	Nominations Committee	Remuneration Committee	Audit Committee
No. of meetings held	4	1	1	2
Non-Executive Directors				
Mr P Hargreaves (Chairman)	4	1	1	2
The Rt Hon Lord P Walker	4	1	1	2
Mr R Putnam	4	1	1	N/A
Executive Directors				
Mr F Heathcote (Resigned 20 February 2009)	4	N/A	N/A	N/A
Dr D Highgate	4	1	N/A	N/A

BOARD PERFORMANCE APPRAISAL

With the full support of the Board, the Chairman leads an evaluation of the performance of the Board and its Committees on a yearly basis. The last review concluded that the Board and its Committee are currently effective and each Director continues to demonstrate commitment to their role. The Non-Executive Committee of the Board, led by Lord Walker, will appraise the new Chairman in due course.

RE-ELECTION OF DIRECTORS

New Directors are subject to election at the first Annual General Meeting of the Company following their appointment. In addition, all Directors who have been in office for three years or more since their election or last re-election are required to submit themselves for re-election at the Annual General Meeting of the Company. At each Annual General Meeting of the Company all those Non-Executive Directors who have been in office for nine years or more since the date on which they were originally elected as a Non-Executive Director of the Company are required to retire from office, but may stand for re-appointment. No person is incapable of being appointed a Director by reason of his having attained the age of 70 and no Director is required to vacate his office at any time by reason of the fact that he has attained the age of 70.

CORPORATE GOVERNANCE REPORT

BOARD INDEPENDENCE

The Board recognises that Peter Hargreaves' shareholding and the options granted to Lord Peter Walker on his appointment are factors, which, under the Combined Code, may appear to impair their independence. However, the Board considers all the Non-Executive Directors to be independent in character and judgement. The Non-Executive Directors have provided excellent independent advice and challenge throughout the year. In concluding that all its Non-Executive Directors are independent the Company considered, inter-alia, the fact that all of the Non-Executive Directors are directors of other corporations and are not reliant on any shares or share options they hold in, or income they receive from, ITM Power Plc.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board is responsible for the Group's system of internal control. Such a system can only be designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable, and not absolute, assurance against material misstatement or loss. Whilst it would not be practical for the Group, given its size, to maintain a dedicated Internal Audit function these internal controls are reviewed periodically to check that they are operating as planned. The Group also has in place processes to deal with the identification, assessment and management of major business risks and tests these processes periodically. These processes and their controls are reviewed by the Executive Committee and, where appropriate, the Board.

RELATIONS WITH SHAREHOLDERS

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

Overall responsibility for ensuring that there is effective communication with investors and that the Board understands the views of major shareholders rests with the Chief Executive Officer, who makes himself available to meet shareholders for this purpose. Press coverage packs and analyst notes are made available to the Board at each regular Board meeting. The Chief Executive Officer is often accompanied at investor presentations by either the Chairman, the Director of Research or the Chief Financial Officer. Shareholder communication is mainly co-ordinated by the company's Corporate Communications Consultants, Tavistock Communications Limited. ITM Power is committed to maintaining a good dialogue with shareholders through proactively organising meetings and presentations with fund managers, retail brokers and analysts, as well as responding to a wide range of enquiries. The Company also recognises the importance of communicating appropriately any significant company developments. Since the Company's IPO in June 2004, the Company has set a number of technical milestones against which shareholders are able to measure progress of the business.

The Company reports to shareholders twice a year. The report and accounts are available on the Company's website: www.itm-power.com. All shareholders are encouraged to attend the Company's Annual General Meeting, at which the Chairman gives an account of the progress of the business over the year and provides the opportunity for shareholders to ask questions. The Board attends the meeting and is available to answer questions from shareholders present.

In all communications and events, care is taken to ensure that no price sensitive information is released and that any price sensitive information is released to all shareholders at the same time in accordance with AIM Rules.

AUDITOR INDEPENDENCE

The Company seeks to ensure the independence of its Auditors by limiting the non-audit work it requires. The Company uses a range of advisors to give specialist advice in relevant areas.

ITM POWER PLC

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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. The directors are required by the IAS Regulation to prepare the group financial statements under International Financial Reporting Standards (IFRSs) as adopted by the European Union. The group financial statements are also required by law to be properly prepared in accordance with the Companies Act 2006.. Under company law the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

International Accounting Standard 1 requires that IFRS financial statements present fairly for each financial year the company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. However, directors are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

The directors 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). The parent company financial statements are required by law to give a true and fair view of the state of affairs of the company. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the parent company financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board

[Signature]

Chief Executive Officer

[Date]

28 | 07 | 2009

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ITM POWER PLC

We have audited the financial statements of ITM Power plc for the year ended 30 April 2009 which comprise the Group Income Statement, the Group and Company Balance Sheets, the Group Cash Flow Statement, the Group Statement of Changes in Equity and the related notes 1 to 35. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with sections 495 and 496 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 auditors' 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.

Respective responsibilities of directors and auditors

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. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's affairs and of the parent company's affairs as at 30 April 2009 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ITM POWER PLC

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, 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.

Stuart Henderson (Senior Statutory Auditor)

For and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditors

Cambridge, United Kingdom

CONSOLIDATED INCOME STATEMENT
Year ended 30 April 2009

	Note	2009 £'000	2008 £'000
Revenue - consulting services	6	-	9
Cost of revenue - consulting services		-	(9)
Gross profit		-	-
Operating costs			
- Research and development		(3,579)	(3,926)
- Prototype production and engineering		(984)	(396)
- Sales and marketing		(303)	(236)
- Administration		(1,276)	(1,146)
Other operating income - grant income	6	-	9
Loss from operations		(6,142)	(5,695)
Interest receivable	6	987	1,705
Interest payable		(1)	(2)
Loss before tax		(5,156)	(3,992)
Tax	9	-	-
Loss for the year	7	(5,156)	(3,992)
Loss per share			
Basic and diluted		(5.0p)	(3.9p)
Weighted average number of ordinary shares		102,098,735	102,079,609

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 or increase the net loss per share.

All results presented above are derived from continuing operations.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Year ended 30 April 2009

	Called up share capital £'000	Share premium account £'000	Merger reserve £'000	Retained loss £'000	Total equity £'000
1 May 2007	5,098	36,271	(1,973)	(6,861)	32,535
Issue of shares	7	1	-	-	8
Share based payments	-	-	-	25	25
Retained loss for the year	-	-	-	(3,992)	(3,992)
At 30 April 2008	5,105	36,272	(1,973)	(10,828)	28,576
1 May 2008	5,105	36,272	(1,973)	(10,828)	28,576
Share based payments	-	-	-	67	67
Retained loss for the year	-	-	-	(5,156)	(5,156)
At 30 April 2009	5,105	36,272	(1,973)	(15,917)	23,487

CONSOLIDATED BALANCE SHEET
30 April 2009

	Note	2009 £'000	2008 £'000
NON CURRENT ASSETS			
Property, plant and equipment	10	1,830	1,655
CURRENT ASSETS			
Inventories	12	70	95
Trade and other receivables	13	242	511
Investments - short term deposits	13	-	20,000
Cash and cash equivalents	13	21,794	6,947
TOTAL CURRENT ASSETS		22,106	27,553
CURRENT LIABILITIES			
Trade and other payables	14	(449)	(632)
NET CURRENT ASSETS		21,657	26,921
NET ASSETS		23,487	28,576
EQUITY			
Called up share capital	15	5,105	5,105
Share premium account		36,272	36,272
Merger reserve		(1,973)	(1,973)
Retained loss		(15,917)	(10,828)
TOTAL EQUITY		23,487	28,576

These financial statements were approved by the Board of Directors and authorised for issue on

Signed on behalf of the Board of Directors

Director

CONSOLIDATED CASH FLOW STATEMENT
Year ended 30 April 2009

	Note	2009 £'000	2008 £'000
Net cash used in operating activities	16	(5,528)	(5,195)
Investing activities			
Interest received		1,251	1,441
Interest paid		(1)	(2)
Purchases of property, plant and equipment		(875)	(1,138)
Short term deposits		20,000	(20,000)
Net cash from (used in) investing activities		20,375	(19,699)
Financing activities			
Issue of ordinary share capital		-	8
Net cash from financing activities		-	8
Increase (decrease) in cash and cash equivalents		14,847	(24,886)
Cash and cash equivalents at the beginning of year		6,947	31,833
Cash and cash equivalents at the end of year		21,794	6,947

	2009 £'000	2008 £'000
Cash, cash equivalents and short term deposits at the beginning of year	26,947	31,833
Decrease in the year	(5,153)	(4,886)
Cash, cash equivalents and short term deposits at the end of year	21,794	26,947

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 30 April 2009

1. GENERAL INFORMATION

ITM Power Plc is a company incorporated in England and Wales under the Companies Act 2006. The registered office at Mill House, Royston Road, Wendens Ambo, Saffron Walden, Essex CB11 4JX. The nature of the Group's operations and its principal activities in the Directors' Report.

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

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective:

IFRS 1 (revised)	First Time Adoption of IFRS
IFRS 3 (revised)	Business Combinations
IFRIC 12	Service Concession Arrangements*
IFRIC 15	Agreements for the Construction of Real Estate*
IFRIC 16	Hedges of a Net Investment in a Foreign Operation*
IFRIC 17	Distributions of Non-cash Assets to Owners
IFRIC 18	Transfers of Assets from Customers
Amendments to IAS 27	Consolidated and Separate Financial Statements
Amendments to IAS 39	Financial Instruments: Recognition and Measurement: Eligible Hedged Items
Amendments to IAS 39	Reclassification of Financial Assets: Effective and Transition
Amendments to IFRS 7	Improving Disclosures about Financial Instruments*
Amendments to IFRIC 9 and IAS 39	Embedded Derivatives

*These are not yet endorsed, and therefore cannot be effective.

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs). The financial statements have also been prepared in accordance with IFRSs adopted by the European Union and therefore the group financial statements comply with Article 4 of the EU IAS Regulation.

The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are set out below.

Going concern

The going concern basis has been adopted in preparing the financial statements. In reaching their conclusion regarding going concern, the Directors have considered the risks and uncertainties set out in the Directors' Report, prepared and examined the cost budgets for the coming year and reviewed the level of cash balances and concluded that the going concern basis of preparation remains appropriate.

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 where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes.

Consulting income is recognised when the consulting services have been performed and amounts become due from customers under the terms of consulting contracts.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Grants

Government and other grants are included in other operating income in the period to which the expenditure they relate is incurred. Government grants to date have been used to fund operating expenditure relating to specific research projects.

Leasing

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the term of the relevant lease.

Foreign currencies

Transactions in foreign currencies are recorded 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 on the balance sheet date. Non-monetary assets and liabilities 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. Gains and losses arising on retranslation are included in net profit or loss for the period.

Loss from operations

Loss from operations is stated before investment income and finance costs.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Research and development tax credits are recognised upon final agreement from HMRC of amounts due.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

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

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

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

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

Property, plant and equipment

Leasehold improvements, fixtures and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction, over their estimated useful lives, using the straight-line method, on the following bases:

Leasehold improvements	4 years or the remainder of the lease term, if shorter
Laboratory and test equipment	4 to 6 years
Production plant and equipment	4 years
Computer equipment	3 years
Office furniture and fittings	4 years
Motor vehicles	3 years

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

Assets in the course of construction for production or research purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

3. **SIGNIFICANT ACCOUNTING POLICIES (continued)**

Internally-generated intangible assets - research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally generated intangible asset arising from the Group's product development is recognised only if all of the following conditions are met:

- an asset is created that can be identified (such as software and new processes);
- it is probable that the asset created will generate future economic benefits;
- the development cost of the asset can be measured reliably; and
- the product from which the asset arises meets the Group's criteria for technical feasibility.

Internally generated intangible assets are amortised on a straight-line basis over their useful lives. Where no internally generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

Impairment of tangible and intangible assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the "first in first out" (FIFO) method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Trade and other receivables

Trade and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as receivables. Receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Trade receivables do not carry any interest and are stated at their nominal value. Appropriate allowances for estimated irrecoverable amounts are recognized in profit or loss when there is objective evidence that the asset is impaired.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Investments - short term deposits

Short term deposit investments comprise 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.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and on demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Trade payables

Trade payables are not interest bearing and are stated at their nominal value.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Provisions

Provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

Share-based payments

The Group has applied the requirements of IFRS 2 Share-based Payments. In accordance with the transitional provisions, IFRS 2 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as of 1 May 2006.

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 on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest. Fair value is measured using a Black Scholes model.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Pension costs

The Company operates a defined contribution pension scheme. The amount charged to the income statement in respect of pension costs is the contributions actually payable in the year. Differences between the contributions actually payable and those paid are shown as accruals or prepayments in the consolidated balance sheet.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In applying the Group's accounting policies, 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 or in the period of the revision and future periods if relevant.

There are no judgements that are considered to be critical judgements that the directors have made in the process of applying the Group's accounting policies and that have any significant effect on the amounts recognised in the financial statements.

5. BUSINESS AND GEOGRAPHICAL SEGMENTS

The Group's activities are neither organised to report separate business nor geographical segments. Management of the business is performed by considering the financial and operational performance of the Group as a whole.

6. REVENUE, OTHER OPERATING INCOME AND INVESTMENT INCOME

	2009 £'000	2008 £'000
Continuing operations		
Revenue - consulting services	-	9
Interest receivable	987	1,705
	987	1,714
Other operating income		
Grant income	-	9
Interest receivable		
Interest on cash and short term deposits	987	1,705

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 30 April 2009

7. LOSS FOR THE YEAR

	2009 £'000	2008 £'000
Loss for the year has been arrived at after charging (crediting):		
Net foreign exchange gains	(1)	(2)
Depreciation of property, plant and equipment	573	471
Loss on disposal of non current assets	3	2
Rentals under operating leases		
- Land and buildings	222	252
- Motor vehicles	4	4
Government grants	-	(9)
Staff costs (see note 8)	2,996	2,658

	2009 £'000	2008 £'000
The following amounts payable to the Group's auditors have been charged within the loss before tax:		
Fees payable to the Company's auditors for the audit of the Company's annual accounts	10	10
Fees payable to the Company's auditors and their associates for other services to the Group		
The audit of the Company's subsidiaries pursuant to legislation	12	12
Total audit fees	22	22
Other services pursuant to legislation		
- Interim review work	8	8
Total non-audit fees	8	8

8. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2009 £'000	2008 £'000
Directors' emoluments		
Aggregate emoluments	447	501
Money purchase pension contributions	113	223
Payment in lieu of notice	80	-
	640	724

Two directors were members of money purchase schemes during the year (2008 - 2).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 30 April 2009

8. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (continued)

	2009 £'000	2008 £'000
Remuneration of the highest paid director		
Aggregate emoluments	136	146
Money purchase pension contributions	107	82
Payment in lieu of notice	80	-
	323	228

	2009 Number	2008 Number
Average number of persons employed		
- Research and development	34	34
- Prototype production and engineering	14	6
- Sales and marketing	2	1
- Administration	11	11
	61	52

	£'000	£'000
Staff costs during the year (including directors)		
Wages and salaries	2,636	2,132
Social security costs	259	235
Other pension costs	101	291
	2,996	2,658

Directors' share options

	At 1 May 2007 and 30 April 2008 Number	Exercise price	Date from which exercisable	Expiry date
Lord Peter Walker	400,000	50p	25/06/2005	25/06/2014

9. TAX

	2009 £'000	2008 £'000
UK Corporation tax		
UK Corporation tax on profits for the year	-	-

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 28% (2008 - 28%). The actual tax credit for the current and the previous year differs from the standard tax rate for the reasons set out in the following reconciliation:

	2009 £'000	2008 £'000
Loss before tax	(5,156)	(3,992)
Tax at the corporation tax rate of 28% (2008 - 28%)	(1,444)	(1,118)
Factors affecting charge for the year:		
Expenses not deductible for tax purposes	29	43
Qualifying depreciation in excess of capital allowances	163	101
Capital items expensed in the income statement	4	15
Loss on sale of non current assets	-	1
Research and development enhanced relief	(362)	(350)
Losses brought forward utilised in the year	-	(1)
Losses arising in the year not relievable against current tax	1,610	1,309
Total on loss		-

A net deferred tax asset of £5,598k (2008 - £3,830k) has not been recognised as there is insufficient evidence that the asset would be recoverable. The net unrecognised deferred tax asset comprises a deferred tax asset of £5,411k in respect of accumulated tax losses, £183k decelerated capital allowances and £4k general provisions. The unrecognised deferred tax asset would be recoverable to the extent that the Company generates sufficient taxable profits in the future.

As highlighted in the Directors' Report after the Financial Year End the group received a payment from HMRC of £552k against a claim for R&D Tax credits relating to FY 2008. No credit has been recognised in respect of this receipt, once finalised it is anticipated that the claim for both FY 2008 and FY 2009 will be recognised in the accounts for the year ended 30 April 2010.

10. 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	Motor vehicles £'000	Assets in the course of construction £'000	Total £'000
Cost								
At 1 May 2007	-	955	125	42	510	-	-	1,632
Additions	191	144	59	62	624	-	115	1,195
Disposals	-	(72)	(2)	-	-	-	-	(74)
At 1 May 2008	191	1,027	182	104	1,134	-	115	2,753
Additions	517	100	139	26	79	6	8	875
Disposals	(2)	(12)	(2)	-	-	-	(116)	(132)
At 30 April 2009	706	1,115	319	130	1,213	6	7	3,496
Depreciation								
At 1 May 2007	-	417	69	14	142	-	-	642
Disposals	-	(13)	(2)	-	-	-	-	(15)
Charge for the year	10	226	40	17	178	-	-	471
At 1 May 2008	10	630	107	31	320	-	-	1,098
Disposals	-	(4)	(1)	-	-	-	-	(5)
Charge for the year	56	151	55	29	281	1	-	573
At 30 April 2009	66	777	161	60	601	1	-	1,666
Net book value								
At 30 April 2009	640	338	158	70	612	5	7	1,830
At 30 April 2008	181	397	75	73	814	-	115	1,655

11. SUBSIDIARIES

A list of the significant investments in subsidiaries, including the name, country of incorporation and proportion of ownership interest is given in note 28 to the Company's separate financial statements.

12. INVENTORIES

	2009 £'000	2008 £'000
Raw materials - Production components	70	95

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 30 April 2009

13. OTHER FINANCIAL ASSETS

Trade and other receivables	**2009 £'000**	**2008 £'000**
Interest receivable	-	264
Other receivables	52	66
Prepayments	190	181
	242	511

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

Investments - short term deposits

These balances comprise of bank deposits with an original maturity of three to six months. The directors consider that the carrying amount of these assets approximates to their fair value.

Cash and cash equivalents

These balances comprise of 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.

14. OTHER FINANCIAL LIABILITIES

Trade and other payables

	2009 £'000	**2008 £'000**
Trade payables	159	295
Other taxation and social security	45	106
Accruals and deferred income	245	231
	449	632

Trade and other payables principally comprise of amounts outstanding from trade purchases and ongoing costs. The average credit period taken is 24 days (2008 - 35 days).

15. CALLED UP SHARE CAPITAL

	2009 £'000	**2008 £'000**
Authorised:		
125,000,000 ordinary shares of 5p each	6,250	6,250
Called up, allotted and fully paid:		
102,098,735 ordinary shares of 5p each	5,105	5,105

16. NOTES TO THE CASH FLOW STATEMENT

	2009 £'000	2008 £'000
Operating loss	(6,142)	(5,695)
Adjustments for property, plant and equipment:		
- Depreciation	573	471
- Loss on disposal	126	2
Share-based payments	67	25
Operating cash flows before movements in working capital	(5,376)	(5,197)
Decrease (increase) in inventories	25	(95)
Decrease (increase) in receivables	6	(58)
(Decrease) increase in payables	(183)	155
Cash used in operations	(5,528)	(5,195)
Income taxes received	-	-
Net cash used in operating activities	(5,528)	(5,195)

17. CONTINGENT LIABILITIES

During the year to 30 April 2009, ITM Power (Research) Ltd, a wholly owned subsidiary of the Company, received no further grant income from the Department of Trade and Industry. The grant was originally awarded for novel materials and processes for alcohol based fuel cells, and is receivable based on 69% of eligible costs incurred between April 2003 and August 2005 and deliverable milestones during that period. However, in the event that the Group generates income or sale proceeds from the use of prototypes developed from the grant project, 69% of those proceeds would be used to refund the grant until the grant is repaid in full. The maximum potential refund at 30 April 2009 would be the cumulative amount received to date of £469k (2008 - £469k) in the event that sufficient revenues are generated from the prototypes developed under the grant agreement.

18. CAPITAL COMMITMENTS

Capital commitments are as follows:

	2009 £'000	2008 £'000
Contracted for but not provided for	-	19

19. OPERATING LEASE COMMITMENTS

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

	Motor vehicles		Land and buildings	
Expiry date	2009 £'000	2008 £'000	2009 £'000	2008 £'000
- within one year	1	-	-	48
- between two and five years	-	4	124	124
- between five and ten years	-	-	75	75
	1	4	199	247

Operating lease payments represent rentals payable by the Group for certain of its office and laboratory properties. Leases are negotiated for an average of 5 years and rentals are fixed for an average of 4 years.

20. SHARED-BASED PAYMENTS

Equity-settled share option scheme

The Group operates a number of share option schemes to provide employees and third parties with the opportunity to acquire a proprietary interest in the Company as an incentive to attract and retain their services as follows:

- Enterprise Management Incentive (EMI) options;
- Non EMI or "unapproved" options as payment in lieu of services;
- Options under HM Revenue & Customs approved Save As You Earn scheme.

	2009		2008	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding at the beginning of the year	9,049,710	10p	9,197,602	10p
Granted during the year	-		-	-
Exercised during the year	-		(140,000)	6p
Expired during the year	(100,753)	130p	(7,892)	130p
Outstanding at the end of the year	8,948,957	9p	9,049,710	10p
Exercisable at the end of the year	8,874,250		8,618,250	

All of the Company's share option plans were issued after 7 November 2002. In accordance with IFRS 2, only those options that had not fully vested by 1 May 2006 were included in the calculations.

The options unvested by 1 May 2006 and outstanding as at 30 April 2009 had a weighted average remaining contractual life of 5 years (2008 - 2 years).

On 1 September 2006, the Group granted 183,352 SAYE options with an exercise price of £1.30. The aggregate estimated fair value of these options at that date was £179,846.

The assumptions for the Black-Scholes model are as follows:

Weighted averages	2009	2008
Share price	163p	69p
Exercise price	130p	56p
Expected volatility	58%	33%
Expected life	5 years	5 years
Risk-free rate	5%	4%

Expected volatility was determined by calculating the historical volatility of the Group's share price over the price since listing on the AIM market and also by considering the volatility of other early stage, pre-revenue fuel cell related companies. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Group has recognised share-based payment expenses in the income statement for the year of £67k (2008 - £25k).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 30 April 2009

21. FINANCIAL INSTRUMENTS

Capital risk management

The Group raised sufficient cash through issuing one class of ordinary shares to provide the company with the means to progress through to the anticipated commercialization of its products.

Externally imposed capital requirement

The Group is not subject to externally imposed capital requirements.

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 3 to the financial statements.

Categories of financial instruments	2009 £'000	2008 £'000
Financial assets		
Loans and receivables (including short term deposits, cash and cash equivalents)	21,846	27,277
Financial liabilities		
Amortised cost	341	440

Financial risk management objectives

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 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 Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The treasury activities are reported quarterly to the Group's Board.

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. 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. The Group invests its excess cash in fixed interest short-term deposits with maturity profiles up to one year.

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

If interest rates had been 1% higher/lower and all other variables had remained constant, loss for the year would have decreased/increased by £113k (2008 - £295k).

The Group's financial liabilities consist of trade and other payables as shown on the balance sheet. No interest is paid on these balances and all amounts are due within 3 months.

Fair value of financial instruments

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

22. TRANSACTIONS WITH RELATED PARTIES

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidated and are not disclosed in this note.

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

23. CONTROLLING PARTY

As at the date of these accounts, the directors, together, owned less 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.

24. POST BALANCE SHEET EVENTS

Subsequent to the year end, the Group appointed a new Chief Executive Officer and decided to transfer its head office functions to its existing offices in Sheffield in order to consolidate its operations to where the CEO is based. A small number of redundancies have also occurred. An estimate of the total cost involved is shown below:

	2010
	£'000
Appointment of new Chief Executive	75
Accelerated property lease costs	90
Accelerated depreciation	5
Redundancy costs	120
	290

After the financial year end the Group received £552k in respect of a claim for R&D tax credits. No amounts have been recognised in respect of this receipt for the current year. See note 9.

COMPANY BALANCE SHEET
30 April 2009

	Note	2009 £'000	2008 £'000
FIXED ASSETS			
Tangible assets	27	79	26
Investments	28	14,662	3,570
		14,741	3,596
CURRENT ASSETS			
Debtors	29	104	12,232
Investments - cash on deposit		-	26,700
Cash at bank and in hand		21,722	200
		21,826	39,132
CREDITORS: amounts falling due within one year	30	(137)	(170)
NET CURRENT ASSETS		21,689	38,962
TOTAL ASSETS LESS CURRENT LIABILITIES, BEING NET ASSETS		36,430	42,558
CAPITAL AND RESERVES			
Called up share capital	31	5,105	5,105
Share premium account	33	36,272	36,272
Profit and loss account	33	(4,947)	1,181
SHAREHOLDERS' FUNDS		36,430	42,558

These financial statements were approved by the Board of Directors and authorised for issue on

Signed on behalf of the Board of Directors

Director

25. SIGNIFICANT ACCOUNTING POLICIES

The parent company financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Tangible fixed assets

Leasehold improvements, fixtures and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction, over their estimated useful lives, using the straight-line method, on the following bases:

Leasehold improvements	4 years or the remainder of the lease term, if shorter
Computer equipment	3 years
Office furniture and fittings	4 years

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

Impairment of tangible and intangible assets

At each balance sheet date, the Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Investments

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

25. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation

Current tax is provided at amounts expected to be paid or recovered, using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided in full on timing differences, which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded, as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Share option charges

In accordance with FRS 20, the Company recognises a charge on share options issued at below fair value, equal to the differential between the fair value and exercise price of the option on the date of grant.

Research and development

Research and development expenditure is written off in the period in which the expenditure is incurred.

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.

26. (LOSS) PROFIT ATTRIBUTABLE TO ITM POWER PLC

The loss for the financial year dealt with in the financial statements of the parent company, ITM Power Plc, was £6,144k (2008 – Profit £685k). As permitted by Section 408 of the Companies Act 2006, no separate profit and loss account is presented in respect of the parent company.

The auditors' remuneration for audit and other services is disclosed in note 8 to the consolidated financial statements.

27. TANGIBLE FIXED ASSETS

	Computer equipment £'000	Office furniture and fittings £'000	Leasehold improvements £'000	Total £'000
Cost				
At 1 May 2008	7	15	10	32
Additions	72	3	-	75
At 30 April 2009	79	18	10	107
Depreciation				
At 1 May 2008	1	3	2	6
Charge for the year	15	4	3	22
At 30 April 2009	16	7	5	28
Net book value				
At 30 April 2009	63	11	5	79
At 30 April 2008	6	12	8	26

NOTES TO THE COMPANY FINANCIAL STATEMENTS
Year ended 30 April 2009

28. INVESTMENTS

	Loans to subsidiary undertakings £'000	Shares in subsidiary undertakings £'000	Total £'000
Cost			
At 1 May 2008	-	3,570	3,570
Transferred from current assets	11,092	-	11,092
At 30 April 2009	11,092	3,570	14,662

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

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

The loans to subsidiaries of £11,092k were transferred from current assets and are stated net of impairment in the year of £6m. A discount rate of 18% was applied in the calculation used to determine the impairment loss.

29. DEBTORS

	2009 £'000	2008 £'000
Due within one year:		
Accrued income	-	264
Other debtors	18	17
Amounts due from subsidiary undertakings (see note 28)	-	11,872
Prepayments	86	79
	104	12,232

30. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2009 £'000	2008 £'000
Trade creditors	59	65
Other taxation and social security	24	35
Accruals and deferred income	54	70
	137	170

NOTES TO THE COMPANY FINANCIAL STATEMENTS
Year ended 30 April 2009

31. CALLED UP SHARE CAPITAL

	2009 £'000	2008 £'000
Authorised:		
125,000,000 ordinary shares of 5p each	6,250	6,250
Called up, allotted and fully paid:		
102,098,735 ordinary shares of 5p each	5,105	5,105

32. SHARE BASED PAYMENTS

Equity-settled share option scheme

The Company operates a number of share option schemes to provide employees and third parties with the opportunity to acquire a proprietary interest in the Company as an incentive to attract and retain their services as follows:

- Enterprise Management Incentive (EMI) options;
- Non EMI or "unapproved" options as payment in lieu of services;
- Options under HM Revenue & Customs approved Save As You Earn scheme.

	2009		2007	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding at the beginning of the year	9,049,710	10p	9,197,602	10p
Granted during the year	-		-	-
Exercised during the year	-		(140,000)	6p
Expired during the year	(100,753)	130p	(7,892)	130p
Outstanding at the end of the year	8,948,957	9p	9,049,710	10p
Exercisable at the end of the year	8,874,250		8,618,250	

All of the Company's share option plans were issued after 7 November 2002. In accordance with FRS 20, only those options that had not fully vested by 1 May 2006 were included in the calculations.

The options unvested by 1 May 2006 and outstanding as at 30 April 2008 had a weighted average remaining contractual life of 4 years (2008 - 2 years).

On 1 September 2006, the Company granted 183,352 SAYE options with an exercise price of £1.30. The aggregate estimated fair value of these options at that date was £179,846.

32. SHARE BASED PAYMENTS (continued)

The assumptions for the Black-Scholes model are as follows:

	2009	2008
Weighted averages		
Share price	163p	69p
Exercise price	130p	56p
Expected volatility	58%	33%
Expected life	5 years	5 years
Risk-free rate	5%	4%

Expected volatility was determined by calculating the historical volatility of the Company's share price over the price since listing on the AIM market and also by considering the volatility of other early stage, pre-revenue fuel cell related companies. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Company has recognised share-based payment expenses in the income statement for the year of £16k (2008 - £8,000). The Company recharges its operating subsidiaries for any share based payment charges relating to their own employees.

33. RESERVES

	Share premium account £'000	Profit and loss account £'000	Total £'000
At 1 May 2008	36,272	1,181	37,453
Retained loss for the year	-	(144)	(144)
Share-based payments	-	16	16
At 30 April 2009	36,272	1,053	37,325

34. TRANSACTIONS WITH RELATED PARTIES

The company is exempt from disclosing transactions with group companies as all subsidiaries are wholly owned by the group.

35. POST BALANCE SHEET EVENTS

Subsequent to the year end, the Group appointed a new Chief Executive Officer and announced restructuring as fully detailed in note 24. An estimate of the costs expected to be incurred by the company is as follows.

	2010 £'000
Appointment of new Chief Executive	75
Accelerated property lease costs	90
Accelerated depreciation	5
Redundancy costs	120
	290

NOTICE OF ANNUAL GENERAL MEETING

ITM POWER PLC

(the "Company")

(incorporated in England and Wales with registered number 5059407)

Notice is hereby given that the annual general meeting ("**AGM**") of the Company will be held at the offices of Panmure Gordon & Co. at Moorgate Hall, 155 Moorgate, London EC2M 6XB on 16 September 2009 at 2 p.m. for the following purposes:

Ordinary Business

1 To receive and consider the Company's accounts for the financial year ended 30 April 2009 together with the last directors' report and the auditors' report.

2 To re-elect Peter Kendal Hargreaves, who retires in accordance with Article 92 of the Company's Articles of Association and who, being eligible, offers himself for re-election as a director.

3 To re-elect Donald James Highgate, who retires in accordance with Article 92 of the Company's Articles of Association and who, being eligible, offers himself for re-election as a director.

4 To re-elect Roger George Putnam, who retires in accordance with Article 92 of the Company's Articles of Association and who, being eligible, offers himself for re-election as a director.

5 To elect Graham Edward Cooley, who was appointed by the Company's board of directors following the last AGM and who now retires in accordance with Article 87 of the Company's Articles of Association and who, being eligible, offers himself for election as a director.

6 To reappoint Deloitte LLP as auditors to hold office from the conclusion of the meeting to the conclusion of the next meeting at which the accounts are laid before the Company at a remuneration to be determined by the directors.

Special Business

To consider and, if thought fit, pass the following resolutions, of which resolution 7 will be proposed as an ordinary resolution and resolutions 8 and 9 will be proposed as special resolutions.

7 That, in substitution for all existing authorities, to the extent unused, and pursuant to section 80 of the Companies Act 1985 (the "**1985 Act**") the directors be and they are hereby authorised generally and unconditionally to allot relevant securities (as defined in section 80(2) of the 1985 Act) up to an aggregate nominal amount of £1,145,063.25 provided that this authority, unless renewed, shall expire at the conclusion of the Company's next AGM save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot the relevant securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired.

8 That, subject to the passing of resolution 7, the directors be and they are hereby empowered pursuant to section 95 of the Companies Act 1985 (the "**1985 Act**") to allot equity securities (within the meaning of section 94(2) of the 1985 Act) for cash pursuant to the authority conferred by resolution 7 as if section 89(1) of the 1985 Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities:

(a) in connection with an offer of such securities by way of rights to holders of ordinary shares in proportion (as nearly as may be practicable) to their respective holdings of such shares, but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or any legal or practical problems under the laws of any territory, or the requirement of any regulatory body or stock exchange; and

(b) otherwise than pursuant to sub-paragraph (a) above up to an aggregate nominal amount of £510,493.65,

and shall expire on the conclusion of the next AGM of the Company save that the Company may, before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of any such offer or agreement as if the power conferred hereby has not expired.

9 That the Company be and is hereby generally and unconditionally authorised for the purposes of section 166 of the Companies Act 1985 (the "**1985 Act**") to make one or more market purchases (within the meaning of section 163(3) of the 1985 Act) of fully paid ordinary shares of 5p each in the capital of the Company provided that:

(a) the maximum aggregate number of ordinary shares hereby authorised to be purchased is 10,209,873 (representing approximately 10 per cent. of the Company's issued ordinary share capital);

(b) the minimum price which may be paid for such ordinary shares is 5p per share (exclusive of expenses);

(c) the maximum price (exclusive of expenses) which may be paid for an ordinary share shall not be more than 5 per cent. above the average of the market values for an ordinary share as derived from the AIM section of the London Stock Exchange Daily Official List for the five business days immediately preceding the date on which the ordinary share is purchased;

(d) unless previously renewed varied or revoked, the authority hereby conferred shall expire at the conclusion of the Company's next AGM or 12 months from the date of passing this resolution, if earlier; and

(e) the Company may make a contract or contracts to purchase ordinary shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority and may make a purchase of ordinary shares in pursuance of any such contract or contracts.

Registered office:

22 Atlas Way
Sheffield
S4 7QQ

BY ORDER OF THE BOARD

Marcus Scott
Company Secretary
29 July 2009

Notes:

1 Entitlement to attend and vote at the meeting, and the number of votes which may be cast at the meeting, will be determined by reference to the register of members of the Company at 2 p.m. on 14 September 2009 (or, if the meeting is adjourned, 48 hours before the time fixed for the adjourned meeting). Changes to entries on the register of members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.

2 A member or the duly authorised representative of a corporation entitled to attend, vote and speak at the AGM is entitled to appoint one or more proxies to attend, vote and speak instead of him. A proxy need not be a member of the Company. A member may appoint more than one proxy in relation to a meeting, provided each proxy is appointed to exercise the rights attached to a different share or shares held by the member. On a show of hands, a member and any proxy or proxies duly appointed by such member shall have the same number of votes between them as the member would have if such member were solely present at the AGM.

3 A proxy form is enclosed. To be valid, it must be deposited at the address of the Company's registrars so as to be received not less than 48 hours before the time appointed for holding the AGM. Completion of the proxy form does not preclude a member from subsequently attending and voting at the AGM in person if he or she so wishes.

4 Copies of the following documents are available for inspection at the registered office of the Company during normal business hours (excluding weekends and public holidays) from the date of this notice until the conclusion of the AGM, and will also be available for inspection at the place of the AGM from 15 minutes before it is held until its conclusion:

(a) service contracts of the executive directors; and

(b) letters of appointment of the non-executive directors.

5 CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

6 In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with the specifications of Euroclear UK & Ireland and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA10) by the latest time(s) for receipt of proxy appointments specified in the notice of meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

7 CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such actions as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

8 The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

9 In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that (i) if a corporate shareholder has appointed the chairman of the meeting as its corporate representative to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the chairman and the chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives (www.icsa.org.uk) for further details of this procedure. The guidance includes a sample form of appointment letter if the chairman is being appointed as described in (i) above.