Company Registration No. 5059407

ITM POWER PLC

Report and Financial Statements

Year ended 30 April 2010

ITM POWER PLC

REPORT AND FINANCIAL STATEMENTS 2010

CONTENTS

ITM POWER PLC

REPORT AND FINANCIAL STATEMENTS 2010

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Dr S Bourne
Dr G Cooley
P Hargreaves
Prof R Putnam

REGISTRARS

Capita IRG PLC
The Registry
34 Beckenham Road
Beckenham BR3 4TU

SECRETARY

B S Cunliffe

REGISTERED OFFICE

22 Atlas Way
Sheffield S4 7QQ

NOMINATED ADVISOR AND BROKER

Panmure Gordon & Co
Moorgate Hall
155 Moorgate
London EC2M 6XB

BANKERS

National Westminster Bank plc
Stamford Branch
52 High Street
Stamford
Lincolnshire PE9 2BD

SOLICITORS

Burges Salmon LLP
Narrow Quay House
Narrow Quay
Bristol BS1 4AH

AUDITORS

Deloitte LLP
City House
126-130 Hills Road
Cambridge CB2 1RY

PRESS AND INVESTOR ENQUIRIES

Tavistock Communications Ltd
131 Finsbury Pavement
London
EC2A 1NT

ITM POWER PLC

HIGHLIGHTS

1. The principal recommendations of the comprehensive review of the Company's activities accepted by the Board in May 2009 have been implemented

2. Dr Simon Bourne was appointed to the position of Chief Technology Officer following the retirement of Dr Don Highgate

3. Barry Cunliffe was appointed Chief Financial Officer and Company Secretary

4. The Company achieved accreditation at its production facility in Sheffield for ISO 9001, ISO 14001, BS OHSAS 18001 and completed the roll out of its manufacturing system which enables the seamless design and manufacture of components and products and represents the last major milestone in the commercial launch of its product range ahead of completion of CE accreditation

5. The Company defined its first commercial product range and completed a successful launch at the Hannover Messe trade show in April 2010 At the Hannover Messe numerous endorsements were received from large and established businesses, in particular concerning the engineering quality and effective transition from technology developer to product supplier

6. The Company re-established its link with the US market by attending the National Hydrogen Association conference at Long Beach, California in May 2010 At the NHA conference it was clear that hydrogen refuelling at both a domestic and commercial scale was recognised as an important and inevitable progression towards wider adoption of hydrogen fuel and ITM Power presented a paper outlining its experience and developments in the field of hydrogen refuelling for transport applications On 9 June 2010 CEO Graham Cooley was elected to the board of the US Fuel Cell Council further developing the Company's presence in the US

7. Following the NHA conference the Company announced that it had been awarded a contract by the NextEnergy Centre in Detroit to supply a design for a home refuelling unit complying with US standards

8. During the past year the Company has established good working relationships with the major grant funding bodies and has been successful in winning several grant awards totaling over £500k.

9. As part of the 'Hydrogen On Site Trials' (HOST) project the Company announced a partnership with DHL and Stansted Airport to demonstrate the Hfuel vehicle refueller product.

Prof Roger Putnam, Chairman of ITM commented

"I am delighted with the progress that has been made at ITM in the last 12 months The new management team has proved that the Company is capable of commercialising its technology and engineering developments into commercial products The feedback from both the Hannover Messe and the NHA in California was very encouraging "

CHAIRMAN'S STATEMENT

I am pleased to report the results for the year ended 30 April 2010 and update shareholders on current developments within ITM

Since the comprehensive review was completed and its recommendations adopted by the Board in May 2009, ITM Power has achieved a remarkable shift in strategy and outlook. The new CEO, Dr Graham Cooley, has assimilated into the business very quickly, identifying the strategy required to move ITM from a research led organisation to a market driven product development organisation The success of the Hannover Messe product launch is testament to the abilities of the team to deliver marketable products to very tight deadlines I am also delighted that this development has been made whilst at the same time reducing the cash burn to £500k under budget for the year

Financials

The loss for the year decreased from £5 2m to £5 1m, capital expenditure for the year under review decreased from £0 9m to £0 5m and during the year the Company's cash and cash equivalents balance reduced from £21 8m to £16 9m this being £0 5m better than the budgeted cash resources at the period end The increase in operating costs reflects the successful development and launch of the Company's first product range The monthly average headcount across the year has reduced from 61 to 56 with the permanent full-time headcount being reduced to 49

Board and Staff

During the year there have been several changes to the Board of Directors On 16 December 2009 Peter Hargreaves stepped down as Company Non-Executive Chairman to be succeeded by me He remains a Non-executive Director of the Company Dr Donald Highgate resigned from the Board of Directors on 29 November 2009 to be replaced by Dr Simon Bourne the new Chief Technology Officer Simon has been with ITM Power since 2002 and has played a significant role in the development of the ITM Power's technology It is important for ITM Power that this continuity of scientific knowledge is maintained at Board level

It is with great sadness that I must report the loss of Lord Peter Walker, he was a valued member of the ITM Power Board and his contribution will be missed

I would like to thank all of the staff who have remained focused and dedicated to ITM over the past year

Outlook

The outlook for ITM, although challenging, is very positive The development of hydrogen networks both in the UK and internationally is gaining traction and ITM Power is now involved in several key projects ITM Power has established good working relationships with the major grant funding bodies as well as key industrial partners and has re-established significant links in the US, the major early adopter of hydrogen technology I believe that ITM is now better placed than it has ever been to achieve commercialisation of its technology

Prof Roger Putnam CBE
Non-Executive Chairman

CHIEF EXECUTIVE OFFICER'S STATEMENT

The transition from technology to products is one of the most difficult a company can face The staff at ITM Power have risen to this challenge and responded to all of the tough deadlines set for them with enthusiasm and drive, their success over the last year has been considerable

ITM Power has undergone two major reorganisations and has focussed its efforts at producing a range of market ready products which can be manufactured in an accredited process The Company has designed and built prototype products, developed and commissioned a manufacturing system, achieved ISO accreditation, commissioned its first product build programme and started long term product testing in its new test facilities The achievement of CE product accreditation at the end of 2010 will mark the completion of this successful transition to market ready products

Commercial Strategy:

The first product range is directed towards existing hydrogen markets and early adopters in new markets Product sales are expected to begin in 2011 and in parallel with delivering CE marked products the Company is actively engaging with trial partners and distributors

ITM Power is focussed on energy storage and clean fuel Central to the Company's strategy is using energy storage to add value to renewable energy The intermittency of renewable energy will ultimately limit its deployment unless methods of predictably despatching the power can be developed Using Hydrogen as a medium for energy storage is a rapidly emerging market

Clean Fuel:

Green hydrogen is also a compelling proposition for transport. ITM Power is positioning itself for the big win to be a world leading supplier of infrastructure products for transport fuel The Company is developing two products to address this huge opportunity

HFuel, the modular and transportable refuelling unit, was sponsored by the UK Government through a grant from the Technology Strategy Board and the product will be launched at our AGM in September We were delighted that DHL, Stansted Airport and Gateway to London have joined the Hydrogen On Site Trials programme and the Company expects to announce further trial partners over the coming months

Home refuelling has also been revisited by the Company in response to a design competition launched by Next Energy in the US and won by ITM Power The steering committee of the project involves all of the main global car manufacturers

A Big Win for the UK Economy

If the UK is to benefit from the emergence of a new low carbon economy the UK Government will need to select the best technologies and support UK companies developing products for these new markets We call on the Government to revisit the use of Hydrogen for decarbonising transport. In the UK we push on with rolling out a recharging infrastructure when other European governments such as Germany have committed $2bn to build 1,000 hydrogen refuelling stations by 2015

Outlook:

ITM Power has world class staff, technology and market prospects We have focussed the Company on delivering products, market entry and building a sustainable business Energy storage and clean fuel are huge opportunities that we intend to capture

Dr Graham Cooley
Chief Executive Officer

BOARD OF DIRECTORS

Prof. R Putnam, Non-executive Chairman (age 64)

Roger Putnam, the former Chairman of Ford of Britain and President of the Society of Motor Manufacturers and Traders was a member of the Government's Energy Review Partnership The Partnership reported to the Chancellor on the country's future energy strategy He was also Chairman of the DTI's Retail Motor Strategy Group and a member of DBERR's Automotive Innovation and Strategy Team Other directorships include Chairman of Suila Ltd, non-executive director of Halcyon Days Ltd and a Trustee of the Jaguar Trust. 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, global 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

Dr G Cooley, Chief Executive Officer (age 46)

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 He has a Degree in Physics, PhD in Materials Technology and an MBA

P Hargreaves, Non-executive Director (age 63)

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 which was successfully floated on the London Stock Exchange in May 2007 and now has a market value in excess of £1 5 billion Peter steps down as the Chief Executive Officer of Hargreaves Lansdown plc in the autumn but will remain a director of the company

Dr S Bourne, Chief Technology Officer (age 35)

Simon Bourne joined ITM in 2002 as a Technical Manager and has been one of the leading scientists involved in the development of ITM's suite of patented membrane materials Before joining ITM, Simon was a project engineer with Sonatest plc and a researcher with the Ministry of Defence Simon has a Bsc Hons in Materials Science from UMIST and a PhD from Cranfield University

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 2010

PRINCIPAL ACTIVITIES

The principal activity of the Group is the development of clean energy technology to alleviate the present dependence on hydrocarbon fuels

The subsidiaries 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 Group is required by the Companies Act to include a business review in this report which is contained within the Chairman's statement on page 3

The Group has continued developing the technology to produce hydrogen by electrolysis from centralised on-grid sustainable energy resources, local off-grid renewable energy sources, and its reconversion using fuel cells, internal combustion engines or as an alternative to Natural Gas

The Group measures performance by the achievement of technical improvements within 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 £3,651k (2009 - £3,579k)

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 2010, the Group had cash, cash equivalents and short term deposits totalling £16,932k (2009 - £21,794k) and the net operating cash outflow for the year was £4,627k (2009 - £5,528k)

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, 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 throughout the periods presented has been 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 are held in variable rate deposits to take advantage of best market rates

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 (2009 - nil)

DIRECTORS

The following Directors served during the year and subsequently, unless otherwise stated

Dr S Bourne (Appointed 29 November 2009)
Dr G Cooley
P Hargreaves
Dr D J Highgate (Resigned 29 November 2009)
Prof R Putnam
Lord Walker (Deceased 23 June 2010)

Dr Simon Bourne, having been appointed by the Board since the last annual general meeting, will retire in accordance with the articles at the next annual general meeting and, being eligible, will offer himself for 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 2010 No	**Ordinary shares of 5p each At 30 April 2009 No**
Dr S Bourne	-	-
Dr G Cooley	156,596	-
P Hargreaves	8,775,310	8,775,310
Dr D J Highgate	12,522,728	12,522,728
Prof R Putnam	-	-
Estate of Lord Walker	121,681	121,681

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 2010 were equivalent to 21 (2009 - 24) 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 2010 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 2%
J A Lloyd	10,631,016	10 3%
P Hargreaves	8,775,310	8 5%*
Allianz Global Investors	7,016,373	6 8%
J A D Wreford	6,886,363	6 7%

* 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

Dr Graham Cooley
Director
29th July 2010

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 Director	✓	✓	✓	
Dr G Cooley	Chief Executive Officer			✓	✓
Dr S Bourne	Chief Technology Officer			✓	✓
Prof R Putnam	Non-executive Chairman	✓	✓		✓

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 Nominations Committee is currently considering the recommendation of a Non-Executive Director to take the place of Lord Walker 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 Prof Roger Putnam (Chairman), Dr Graham Cooley (CEO), Dr Simon Bourne (CTO) and Barry Cunliffe (CFO) 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 30 April 2010 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	Additional Board Meetings	Nominations Committee	Remuneration Committee	Audit Committee
No of meetings held	4	3	1	1	1
Non-Executive Directors					
Mr P Hargreaves	4	3	1	1	1
The Rt Hon Lord P Walker	3	-	N/A	-	-
Prof R Putnam (Chairman)	4	3	N/A	1	N/A
Executive Directors					
Dr G Cooley	3	3	1	N/A	N/A
Dr D Highgate	2	1	1	N/A	N/A
Dr S Bourne	2	1	N/A	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

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 is a factor, which, under the Combined Code, may appear to impair his 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 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, this is done via the Stock Exchange Regulatory News Service that can be accessed through the Company's new web site

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

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year 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 and Article 4 of the IAS Regulation

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

Dr Graham Cooley

Chief Executive Officer

29 July 2010

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 2010 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 32 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 Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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 2010 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

29 July 2010

CONSOLIDATED INCOME STATEMENT
Year ended 30 April 2010

	Note	2010 £'000	2009 £'000
Operating costs			
- Research and development		(3,531)	(3,579)
- Prototype production and engineering		(1,316)	(984)
- Sales and marketing		(389)	(303)
- Administration		(1,665)	(1,276)
Other operating income - grant income	5	139	-
Loss from operations		(6,762)	(6,142)
Interest receivable	5	203	987
Interest payable		(1)	(1)
Loss before tax		(6,560)	(5,156)
Tax	8	1,509	-
Loss for the year, being total comprehensive income for the year	6	(5,051)	(5,156)
Loss per share			
Basic and diluted		(5 0p)	(5 0p)
Weighted average number of ordinary shares		102,409,137	102,098,735

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 2010

	Called up share capital £'000	Share premium account £'000	Merger reserve £'000	Retained loss £'000	Total equity £'000
At 1 May 2008	5,105	36,272	(1,973)	(10,828)	28,576
Share based payments	-	-	-	67	67
Retained loss, being total comprehensive income for the year	-	-	-	(5,156)	(5,156)
At 30 April 2009	5,105	36,272	(1,973)	(15,917)	23,487
At 1 May 2009	5,105	36,272	(1,973)	(15,917)	23,487
Issue of shares	37	5	-	-	42
Share based payments	-	-	-	(15)	(15)
Retained loss, being total comprehensive income for the year	-	-	-	(5,051)	(5,051)
At 30 April 2010	5,142	36,277	(1,973)	(20,983)	18,463

CONSOLIDATED BALANCE SHEET
30 April 2010

	Note	2010 £'000	2009 £'000
NON CURRENT ASSETS			
Property, plant and equipment	9	1,364	1,830
CURRENT ASSETS			
Inventories	11	12	70
Trade and other receivables	12	733	242
Cash and cash equivalents	12	16,932	21,794
TOTAL CURRENT ASSETS		17,677	22,106
CURRENT LIABILITIES			
Trade and other payables	13	(578)	(449)
NET CURRENT ASSETS		17,099	21,657
NET ASSETS		18,463	23,487
EQUITY			
Called up share capital	14	5,142	5,105
Share premium account		36,277	36,272
Merger reserve		(1,973)	(1,973)
Retained loss		(20,983)	(15,917)
TOTAL EQUITY		18,463	23,487

The financial statements of ITM Power plc, registered number 5059407, were approved by the Board of Directors and authorised for issue on 29th July 2010

Signed on behalf of the Board of Directors

G Cooley

Dr Graham Cooley

Director

CONSOLIDATED CASH FLOW STATEMENT
Year ended 30 April 2010

	Note	2010 £'000	2009 £'000
Net cash used in operating activities	15	(4,627)	(5,528)
Investing activities			
Interest received		203	1,251
Interest paid		(1)	(1)
Proceeds on disposal of property, plant and equipment		11	-
Purchases of property, plant and equipment		(490)	(875)
Short term deposits		-	20,000
Net cash (used in) from investing activities		(277)	20,375
Financing activities			
Issue of ordinary share capital		42	-
Net cash from financing activities		42	-
(Decrease) increase in cash and cash equivalents		(4,862)	14,847
Cash and cash equivalents at the beginning of year		21,794	6,947
Cash and cash equivalents at the end of year		16,932	21,794

	2010 £'000	2009 £'000
Cash, cash equivalents and short term deposits at the beginning of year	21,794	26,947
Decrease in the year	(4,862)	(5,153)
Cash, cash equivalents and short term deposits at the end of year	16,932	21,794

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 30 April 2010

1. GENERAL INFORMATION

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

In the current year, the following new and revised Standards and Interpretations have been adopted and have affected the amounts reported in these financial statements

Standards affecting presentation and disclosure

IAS 1 (revised 2007)	IAS 1 (2007) has introduced a number of changes in the format and content of the financial statements Under IAS1 (revised) the Group is required to include a statement of comprehensive income for the years ended 30 April 2009 and 2010 The revision has no impact on the balance sheets for 2010, 2009 or 2008 The 2008 balance sheet is available in the 2008 annual report, which is available on the Company's website
IFRS 8 Operating segments	IFRS 8 is a disclosure Standard that has not resulted in any redesignation of the Group's reportable segments
Improving Disclosures about Financial Instruments (amendments to IFRS 7 Financial Instruments Disclosures)	The amendments to IFRS 7 expand the disclosures required in respect of fair value measurements and liquidity risks The Group has elected not to provide comparative information for these expanded disclosures in the current year in accordance with the transitional reliefs offered in these amendments

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

Amendment to IFRS 1(Jan 2010)	Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters
IFRS 9	Financial Instruments
IAS 24 (revised Nov 2009)	Related Party Disclosures
Amendment to IAS 32 (Oct 2009)	Classification of Rights Issues
Amendments to IFRS 1 (Jul 2009)	Additional Exemptions for First-time Adopters
Amendments to IFRS 2 (Jun 2009)	Group Cash-settled Share-based Payment Transactions
IFRS 1 (revised Nov 2008)	First-time Adoption of International Financial Reporting Standards
IFRS 3 (revised Jan 2008)	Business Combinations
Amendments to IAS 27 (Jan 2008)	Consolidated and Separate Financial Statements
Amendment to IAS 39 (Jul 2008)	Eligible Hedged Items
Amendments to IFRIC 14 (Nov 2009)	Prepayments of a Minimum Funding Requirement
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments
Improvements to IFRSs 2009 (Apr 2009)	Improvements to IFRSs 2009
IFRIC 17	Distributions of Non-cash Assets to Owners

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

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 that the expenditure to which 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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation

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

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

Research and development tax credits are recognised on an accruals basis where it is sufficiently certain that the amounts will be received

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

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

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

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

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

Property, plant and equipment

Leasehold improvements, 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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

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

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, which was the group's date of transition to IFRS

The Group issues equity-settled share-based payments to certain employees Equity-settled share-based payments are measured at fair value at the date of grant The fair value determined at the grant date of the equity-settled share-based payments is expensed 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. REVENUE, OTHER OPERATING INCOME AND INVESTMENT INCOME AND SEGMENTAL REPORTING

The Group has adopted IFRS 8 Operating Segments with effect from 1 May 2009 IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Chief Operating Decision Maker to allocate resources to the segments and to assess their performance In contrast, the predecessor Standard (IAS 14 Segment Reporting) required the Group to identify two sets of segments (business and geographical), using a risks and returns approach, with the Group's system of internal financial reporting to key management personnel serving only as the starting point for the identification of such segments

As a result, following the adoption of IFRS 8, the identification of the Group's reportable segments has changed

ITM Power plc is organized internally to report to the Group's chief operating decision maker, the Chief Executive Officer on the financial and operational performance of the group as a whole The Group's chief operating decision maker is ultimately responsible for entity-wide resource allocation decisions and evaluates the performance of the Group on a group wide basis and any elements within it on a combination of information from the executives in charge of the Group and Group financial information

As a consequence of the above factors the Group has one operating and reportable segment in accordance with IFRS 8 Operating Segments

All revenues are generated in the United Kingdom which is the group's country of domicile

5. REVENUE, OTHER OPERATING INCOME AND INVESTMENT INCOME (continued)

	2010 £'000	2009 £'000
Continuing operations		
Interest receivable	203	987
Other operating income	139	-
Grant income		
Interest receivable		
Interest on cash and short term deposits	203	987
Total Revenue	**342**	**987**

6. LOSS FOR THE YEAR

	2010 £'000	2009 £'000
Loss for the year has been arrived at after charging (crediting):		
Net foreign exchange gains	(10)	(1)
Depreciation of property, plant and equipment	722	573
Loss on disposal of non current assets	223	3
Rentals under operating leases		
- Land and buildings	249	222
- Motor vehicles	-	4
Government grants	(139)	-
Staff costs (see note 7)	3,066	2,996

	2010 £'000	2009 £'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

7. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

Name of director	Fees/Basic salary £'000	Benefits in kind £'000	Annual bonuses £'000	Pension contributions £'000	2010 £'000	2009 £'000
Executive						
Dr S Bourne (1)	46	-	-	5	51	-
Dr G Cooley (2)	126	-	133	23	282	-
F J Heathcote	-	-	-	-	-	323
Dr D J Highgate (3)	83	7	-	4	94	149
J Lloyd	-	-	-	-	-	3
Non-executive						
P Hargreaves	53	-	-	-	53	34
R Putnam (4)	141	-	-	-	141	111
Lord Walker	20	-	-	-	20	20
Aggregate emoluments	469	7	133	32	641	640

1 Appointed 29 November 2009

2 The Annual bonus shown of £133,000 for Dr G Cooley includes £70,000 paid in respect of the buy-out of the notice period from his previous employment and an accrual of £63,500 made in respect of the year ended 30 April 2010

3 Resigned 29 November 2009

4 The total cost shown of £141,000 for R Putnam includes fees in respect of the transitional period during which Mr Putnam undertook the role of interim CEO including the recruitment and introduction of the new CEO

7. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (continued)

There were no options exercised by Directors during the year

Details of options for directors who served during the year are as follows

Name of director	Scheme	1 May 2009	Granted	30 April 2010	Exercise price £'000	Date from which exercisable	Expiry date
Dr S Bourne	EMI	334,250	01/12/2003	334,250	5p	01/05/2006	01/12/2010
Dr S Bourne	EMI		02/02/2010	200,000	18p	02/02/2013	02/02/2020
Dr Graham Cooley	Unapproved		29/06/2009	200,000	18p	29/06/2012	29/06/2019
Dr Graham Cooley	Unapproved		02/02/2010	360,000	18p	02/02/2013	02/02/2020
Dr Graham Cooley	EMI		02/02/2010	640,000	18p	02/02/2013	02/02/2020
Prof R Putnam	Unapproved		23/11/2009	50,000	20p	23/11/2010	23/11/2019
Estate of Lord Walker	Unapproved	400,000	25/06/2004	400,000	50p	26/06/2005	25/06/2014

On 29 January 2010 the Group introduced a new EMI and Unapproved Share Option Scheme to be applied to all subsequent issues of share options Under the scheme rules the exercise price is deemed to be the mid-market price of shares on the London Stock Exchange AIM market at the close of trading on the day before the grant of the share options Share options vest in three equal instalments on the first, second and third anniversaries of the grant and are exercisable up to the tenth anniversary of the grant

Upon the death of Lord Peter Walker, his share options were transferred to his estate

Details of the LTIP awards granted during the year are as follows

Name of director	Scheme	Number of awards granted	Market price at award date
Dr S Bourne	EMI	200,000	18p
Dr G Cooley	EMI	640,000	18p
Dr G Cooley	Unapproved	560,000	18p
Prof R Putnam	Unapproved	50,000	20p

There were no Directors' LTIP awards vesting during the year

7. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (continued)

Pension contributions

The number of directors who

	Number	Number
Are members of a defined benefit pension scheme	-	-
Are members of a money purchase pension scheme	3	2
	3	2

Contributions paid by the company in respect of such directors were as follows

Scheme	2010 £'000	2009 £'000
Defined benefit	-	-
Money purchase	30	113
	30	113

	2010 £'000	2009 £'000
Directors' emoluments		
Aggregate emoluments	609	447
Money purchase pension contributions	32	113
Payment in lieu of notice	-	80
	641	640

Two directors were members of money purchase schemes during the year (2009 - 2)

7. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (continued)

	2010 £'000	2009 £'000
Remuneration of the highest paid director		
Aggregate emoluments	259	136
Money purchase pension contributions	23	107
Payment in lieu of notice	-	80
	282	323

	2010 Number	2009 Number
Average number of persons employed		
- Research and development	31	34
- Prototype production and engineering	10	14
- Sales and marketing	2	2
- Administration	13	11
	56	61

	£'000	£'000
Staff costs during the year (including directors)		
Wages and salaries	2,696	2,636
Social security costs	263	259
Other pension costs	107	101
	3,066	2,996

8. TAX

	2010 £'000	2009 £'000
UK Corporation tax		
UK Corporation tax credits on profits for the year	(504)	-
UK Corporation tax credits on profits from prior years	(1,005)	-
	(1,509)	-

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 28% (2009 - 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

	2010 £'000	2009 £'000
Loss before tax	(6,560)	(5,156)
Tax credit at the corporation tax rate of 28% (2009 - 28%)	(1,837)	(1,444)
Factors affecting credit for the year		
Expenses not deductible for tax purposes	(26)	29
Depreciation in excess of capital allowances	246	163
Capital items expensed in the income statement	-	4
Research and development enhanced relief	(432)	(362)
Research and development tax credit	504	-
Unrelieved tax losses carried forward	1,041	1,610
Total on loss	(504)	-

A net deferred tax asset of £5,034k (2009 - £5,598k) 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 £4,593k (2009 - £5,411k) in respect of accumulated tax losses, £439k (2009 - £183k) decelerated capital allowances and £2k (2009 - £4k) general provisions The unrecognised deferred tax asset would be recoverable to the extent that the Company generates sufficient taxable profits in the future

9. PROPERTY, PLANT AND EQUIPMENT

	Production plant and equipment £'000	Laboratory and test equip-ment £'000	Computer equip-ment £'000	Office furniture and fittings £'000	Leasehold improve-ments £'000	Motor vehicles £'000	Assets in the course of const-ruction £'000	Total £'000
Cost								
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 1 May 2009	706	1,115	319	130	1,213	6	7	3,496
Additions	100	97	124	33	55	-	81	490
Disposals	(249)	(125)	(34)	(6)	-	(6)	(7)	(427)
At 30 April 2010	557	1,087	409	157	1,268	-	81	3,559
Depreciation								
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 1 May 2009	66	777	161	60	601	1	-	1,666
Disposals	(63)	(89)	(34)	(5)	-	(2)	-	(193)
Charge for the year	186	154	86	31	264	1	-	722
At 30 April 2010	189	842	213	86	865	-	-	2,195
Net book value								
At 30 April 2010	368	245	196	71	403	-	81	1,364
At 30 April 2009	640	338	158	70	612	5	7	1,830

10. 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

11. INVENTORIES

	2010 £'000	2009 £'000
Raw materials - Production components	12	70

12. OTHER FINANCIAL ASSETS

Trade and other receivables	2010 £'000	2009 £'000
Other receivables	83	52
Corporation tax	486	-
Prepayments	164	190
	733	242

The directors consider that the carrying amount of trade and other receivables 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

13. OTHER FINANCIAL LIABILITIES

Trade and other payables

	2010 £'000	2009 £'000
Trade payables	135	159
Other taxation and social security	66	45
Accruals and deferred income	377	245
	578	449

Trade and other payables principally comprise of amounts outstanding from trade purchases and ongoing costs The average credit period taken is 21 days (2009 - 24 days)

14. CALLED UP SHARE CAPITAL

	2010 £'000	2009 £'000
Called up, allotted and fully paid		
102,842,735 (2009 102,098,735) ordinary shares of 5p each	5,142	5,105

15. NOTES TO THE CASH FLOW STATEMENT

	2010 £'000	2009 £'000
Operating loss	(6,762)	(6,142)
Adjustments for property, plant and equipment		
- Depreciation	722	573
- Loss on disposal	223	126
Share-based payments	(15)	67
Operating cash flows before movements in working capital	(5,832)	(5,376)
Decrease in inventories	58	25
(Increase) decrease in receivables	(5)	6
Increase (decrease) in payables	129	(183)
Cash used in operations	(5,650)	(5,528)
Income taxes received	1,023	-
Net cash used in operating activities	(4,627)	(5,528)

16. CONTINGENT LIABILITIES

During the year to 30 April 2010, 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 2010 would be the cumulative amount received to date of £469k (2009 - £469k) in the event that sufficient revenues are generated from the prototypes developed under the grant agreement.

17. CAPITAL COMMITMENTS

Capital commitments are as follows

	2010 £'000	2009 £'000
Contracted for but not provided for	-	-

18. 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	2010 £'000	2009 £'000	2010 £'000	2009 £'000
- within one year	-	1	204	204
- in the second to fifth years inclusive	-	-	351	480
- after five years	-	-	150	225
	-	1	705	909

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

19. 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 in lieu of payment for services,
- Options under HM Revenue & Customs approved Save As You Earn scheme

	2010		2009	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding at the beginning of the year	8,948,957	10p	9,049,710	10p
Granted during the year	3,620,000	22p	-	
Exercised during the year	(744,000)	5p	-	
Expired during the year	(48,139)	130p	(100,753)	130p
Outstanding at the end of the year	11,776,818	12p	8,948,957	10p
Exercisable at the end of the year	8,130,250		8,874,250	

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, being the group's date of transition to IFRS, were included in the calculations

The options unvested by 1 May 2006 and outstanding as at 30 April 2010 had a weighted average remaining contractual life of 5 years (2009 - 5 years)

On 29 January 2010 the Group introduced a new EMI and Unapproved Share Option Scheme to be applied to all subsequent issues of share options Under the scheme rules the exercise price is deemed to be the mid-market price of shares on the London Stock Exchange AiM market at the close of trading on the day before the grant of the share options Share options vest in three equal instalments on the first, second and third anniversaries of the grant and are exercisable up to the tenth anniversary of the grant

The assumptions for the Black-Scholes model are as follows

Weighted averages	2010	2009
Share price	22p	163p
Exercise price	22p	130p
Expected volatility	54%	58%
Expected life	3 years	5 years
Risk-free rate	5%	5%

Expected volatility was determined by calculating the historical volatility of the Group's share price The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations

The Group has recognised share-based payment credits in the income statement for the year of (£15k) (2009 - £67k)

20. 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	2010 £'000	2009 £'000
Financial assets		
Loans and receivables (including short term deposits, cash and cash equivalents)	17,501	21,846
Financial liabilities		
Amortised cost	519	341

The fair value of all of the Group's financial instruments are derived from inputs other than unadjusted quoted prices that are observable for the asset or liability, either directly or indirectly

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 counter party will default on its contractual obligations resulting in financial loss to the Group The Group has adopted a policy of only dealing with creditworthy counterparties The credit risk of liquid funds (cash, cash equivalents and short term deposits) is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies

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 £194k (2009 - £113k)

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

21. TRANSACTIONS WITH RELATED PARTIES

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

The remuneration of the directors, who are the key management personnel of the Group, is shown in note 7

22. CONTROLLING PARTY

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

COMPANY BALANCE SHEET
30 April 2010

	Note	2010 £'000	2009 £'000
FIXED ASSETS			
Tangible assets	25	92	79
Investments	26	14,319	14,662
		14,411	14,741
CURRENT ASSETS			
Debtors	27	127	104
Cash at bank and in hand		16,916	21,722
		17,043	21,826
CREDITORS: amounts falling due within one year	28	(282)	(137)
NET CURRENT ASSETS		16,761	21,689
TOTAL ASSETS LESS CURRENT LIABILITIES, BEING NET ASSETS		31,172	36,430
CAPITAL AND RESERVES			
Called up share capital	29	5,142	5,105
Share premium account	31	36,277	36,272
Profit and loss account	31	(10,247)	(4,947)
SHAREHOLDERS' FUNDS		31,172	36,430

The financial statements of ITM Power plc, registered number 5059407, were approved by the Board of Directors and authorised for issue on 29th July 2010

Signed on behalf of the Board of Directors

G Cooley

Dr Graham Cooley

Director

23. SIGNIFICANT ACCOUNTING POLICIES

The separate 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

23. 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

The Company has applied the requirements of FRS 20 Share-based Payment. 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 over the vesting period, based on the Company's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions

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

24. LOSS 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 £5,299k (2009 - £6,144k) 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 6 to the consolidated financial statements

25. TANGIBLE FIXED ASSETS

	Computer equipment £'000	Office furniture and fittings £'000	Leasehold improvements £'000	Total £'000
Cost				
At 1 May 2009	79	18	10	107
Additions	52	-	-	52
Disposals	-	(6)	-	(6)
At 30 April 2010	131	12	10	153
Depreciation				
At 1 May 2009	16	7	5	28
Charge for the year	28	4	5	37
Disposals	-	(4)	-	(4)
At 30 April 2010	44	7	10	61
Net book value				
At 30 April 2010	87	5	-	92
At 30 April 2009	63	11	5	79

26. INVESTMENTS

	Loans to subsidiary undertakings £'000	Shares in subsidiary undertakings £'000	Total £'000
Cost			
At 1 May 2009	11,092	3,570	14,662
Transferred from current assets	3,357	-	3,357
Impairment loss	(3,700)	-	(3,700)
At 30 April 2010	10,749	3,570	14,319

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 £10,749k are stated net of total impairment of £9,700k.

27. DEBTORS

	2010 £'000	2009 £'000
Due within one year		
Other debtors	27	18
Prepayments	100	86
	127	104

28. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2010 £'000	2009 £'000
Trade creditors	55	59
Other taxation and social security	18	24
Accruals and deferred income	209	54
	282	137

29. CALLED UP SHARE CAPITAL

	2010 £'000	2009 £'000
Called up, allotted and fully paid		
102,842,735 (2009 102,098,735) ordinary shares of 5p each	5,142	5,105

30. 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

	2010		2009	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding at the beginning of the year	8,948957	10p	9,049,710	10p
Granted during the year	3,620,000	22p	-	
Exercised during the year	(744,000)	5p	-	
Expired during the year	(48,139)	130p	(100,753)	130p
Outstanding at the end of the year	11,776,818	11p	8,948,957	10p
Exercisable at the end of the year	8,130,250		8,874,250	

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 2010 had a weighted average remaining contractual life of 5 years (2009 - 4 years)

30. SHARE BASED PAYMENTS (continued)

On 29 January 2010 the Group introduced a new EMI and Unapproved Share Option Scheme to be applied to all subsequent issues of share options Under the scheme rules the exercise price is deemed to be the mid-market price of shares on the London Stock Exchange AiM market at the close of trading on the day before the grant of the share options Share options vest in three equal instalments on the first, second and third anniversaries of the grant and are exercisable up to the tenth anniversary of the grant

The assumptions for the Black-Scholes model are as follows

	2010	2009
Weighted averages		
Share price	22p	163p
Exercise price	22p	130p
Expected volatility	54%	58%
Expected life	3 years	5 years
Risk-free rate	5%	5%

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 £(1)k (2009 - £16k) The Company recharges its operating subsidiaries for any share based payment charges relating to their own employees

31. RESERVES

	Share premium account £'000	Profit and loss account £'000	Total £'000
At 1 May 2009	36,272	(4,947)	31,325
Retained loss for the year	-	(5,299)	(5,299)
Share-based payments	-	(1)	(1)
Issue of ordinary 5p shares	5	-	5
At 30 April 2010	36,277	(10,247)	26,030

32. TRANSACTIONS WITH RELATED PARTIES

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