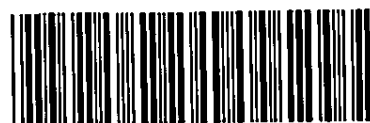


ITM (POWER) TRADING LIMITED
(formerly Quay Shelfco 1214 Limited)

Report and Financial Statements

30 April 2008

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ITM (POWER) TRADING LIMITED
(formerly Quay Shelfco 1214 Limited)

REPORT AND FINANCIAL STATEMENTS 2008

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ITM (POWER) TRADING LIMITED
(formerly Quay Shelfco 1214 Limited)

REPORT AND FINANCIAL STATEMENTS 2008

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

F J Heathcote
D J Highgate
P Hargreaves

SECRETARY

M J Scott

REGISTERED OFFICE

Mill House
Royston Road
Wendens Ambo
Saffron Walden
Essex
CB11 4JX

BANKERS

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

SOLICITORS

Burges Salmon
Narrow Quay House
Narrow Quay
Bristol
BS1 4AH

AUDITORS

Deloitte & Touche LLP
Chartered Accountants
Cambridge

ITM (POWER) TRADING LIMITED **(formerly Quay Shelfco 1214 Limited)**

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the period from incorporation on 13 March 2007 to 30 April 2008

This report has been prepared in accordance with the special provisions relating to small companies under section 246(4) of the Companies Act 1985

CHANGE OF NAME

The company was incorporated as Quay Shelfco 1214 Limited and changed its name to ITM Power (Trading) Limited on 30 April 2007

PRINCIPAL ACTIVITIES

The company develops, manufactures and sells prototype electrolyzers and fuel cell systems

DIRECTORS

The directors who served during the period are as follows

N Q H Limited	(appointed 13 March 2007, resigned 1 May 2007)
F J Heathcote	(appointed 1 May 2007)
D J Highgate	(appointed 1 May 2007)
P Hargreaves	(appointed 1 May 2007)
S Massey	(appointed 1 May 2007, resigned 1 January 2008)
J Lloyd	(appointed 1 May 2007, resigned 24 April 2008)

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. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed,
- 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 which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. 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

ITM (POWER) TRADING LIMITED
(formerly Quay Shelfco 1214 Limited)

DIRECTORS' REPORT

AUDITORS

In the case of each of the persons who are directors of the company at the date when this report is approved

- so far as each of the directors is aware, there is no relevant audit information (as defined in the Companies Act 1985) of which the company's auditors are unaware, and
- each of the directors has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information (as defined) 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 s234ZA of the Companies Act 1985

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

Approved by the Board of Directors
and signed on behalf of the Board

A handwritten signature in black ink, appearing to read 'Marcus Roth', with a stylized flourish at the end.

Secretary

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ITM (POWER)
TRADING LIMITED
(formerly Quay Shelfco 1214 Limited)**

We have audited the financial statements of ITM Power (Trading) Limited for the period from 13 March 2007 to 30 April 2008 which comprise the profit and loss account, the balance sheet and the related notes 1 to 18. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ITM (POWER)
TRADING LIMITED
(formerly Quay Shelfco 1214 Limited) (continued)**

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 April 2008 and of its loss for the period from 13 March 2007 to 30 April 2008,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

Deloitte & Touche LLP

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors

Cambridge, United Kingdom

28 July 2008

ITM (POWER) TRADING LIMITED
(formerly Quay Shelfco 1214 Limited)

PROFIT AND LOSS ACCOUNT
Period from 13 March 2007 to 30 April 2008

	Note	£'000
Operating costs - production and development		(423)
Other operating income		9
OPERATING LOSS	3	<u>(414)</u>
Interest receivable and similar income	5	1
Interest payable and similar charges	6	<u>(37)</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(450)
Tax on loss on ordinary activities	7	<u>-</u>
RETAINED LOSS FOR THE FINANCIAL PERIOD	14	<u><u>(450)</u></u>

All activities derive from continuing operations

There are no recognised gains or losses for the current financial period other than as stated above. Therefore no statement of total recognised gains and losses are presented in these accounts.

ITM (POWER) TRADING LIMITED
(formerly Quay Shelfco 1214 Limited)

BALANCE SHEET
30 April 2008

	Note	£'000
FIXED ASSETS		
Tangible assets	8	904
CURRENT ASSETS		
Stocks	9	95
Debtors	10	44
Cash at bank and in hand		19
		158
CREDITORS: amounts falling due within one year	11	(1,512)
NET CURRENT LIABILITIES		(1,354)
TOTAL ASSETS LESS CURRENT LIABILITIES		(450)
CAPITAL AND RESERVES		
Called up share capital	12	-
Profit and loss account	14	(450)
SHAREHOLDERS' DEFICIT	15	(450)

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

Signed on behalf of the Board of Directors



Director

ITM (POWER) TRADING LIMITED
(formerly Quay Shelfco 1214 Limited)

NOTES TO THE FINANCIAL STATEMENTS
Period from 13 March 2007 to 30 April 2008

1. ACCOUNTING POLICIES

The 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.

Cash flow statement

As permitted by Financial Reporting Standard No 1 (Revised), "Cash flow Statements" the company has not included a cash flow statement as part of its financial statements because the consolidated financial statements of its parent company, ITM Power plc are publicly available.

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment.

No depreciation is provided on assets in the course of construction. On other fixed assets depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Computer equipment	3 years straight line
Production plant and equipment	4 years straight line
Office furniture and fittings	4 years straight line
Leasehold improvements	The shorter of 4 years straight line or the residual period of the lease

Residual value is calculated on prices prevailing at the date of acquisition.

Stocks

Stocks and work in progress are stated at the lower of cost and net realisable value.

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.

Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

Leases

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis.

ITM (POWER) TRADING LIMITED
(formerly Quay Shelfco 1214 Limited)

NOTES TO THE FINANCIAL STATEMENTS
Period from 13 March 2007 to 30 April 2008

1. ACCOUNTING POLICIES (continued)

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.

Grants

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

Share-based payments

The company has applied the requirements of FRS 20 "Share-based Payment" for the first time. In accordance with the transitional provisions, FRS 20 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 by use of the Black-Scholes pricing model.

2. SEGMENTAL INFORMATION

There is only one class of business, which is the development, production and sale of prototype electrolyser and fuel cell systems.

The analysis of operating loss, loss before taxation and the net liabilities of the company by geographical segment has not been provided due to the fact that there is only one geographical location, being the United Kingdom.

3. OPERATING LOSS

	£'000
Operating loss is after charging (crediting)	
Depreciation of tangible fixed assets	62
Rentals under operating leases	72
Government grant income	(9)
	<hr/>

The audit fee for the company is borne by the parent company ITM Power Plc with no right of reimbursement.

ITM (POWER) TRADING LIMITED
(formerly Quay Shelfco 1214 Limited)

NOTES TO THE FINANCIAL STATEMENTS
Period from 13 March 2007 to 30 April 2008

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

Directors' emoluments are borne entirely by the parent company, ITM Power Plc. It is not practicable to allocate directors' emoluments into this company. The total emoluments paid to the directors by the parent company is £476,250.

	No
Average number of persons employed	
Finance and administration	1
Production and development	6
	<u>7</u>
	£'000
Staff costs during the period (including directors)	
Wages and salaries	150
Social security costs	14
Other pension costs	2
	<u>166</u>

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	£'000
Bank interest	<u>1</u>

6. INTEREST PAYABLE AND SIMILAR CHARGES

	£'000
Bank interest	1
Intercompany interest	36
	<u>37</u>

ITM (POWER) TRADING LIMITED
(formerly Quay Shelfco 1214 Limited)

NOTES TO THE FINANCIAL STATEMENTS
Period from 13 March 2007 to 30 April 2008

7 TAX ON LOSS ON ORDINARY ACTIVITIES

	£'000
Current taxation	
United Kingdom corporation tax	-
	<u> </u>
The standard rate of tax for the period, based on the UK standard rate of corporation tax is 28%. The actual tax charge for the current period differs from the standard tax rate for the reasons set out in the following reconciliation	
	£'000
Loss on ordinary activities before taxation	(450)
	<u> </u>
Tax on loss on ordinary activities at standard rate of 28%	(126)
	<u> </u>
Factors affecting charge for the period	
Expenses not deductible for tax purposes	12
Qualifying depreciation in excess of capital allowances	7
Capital items expensed in the profit and loss account	5
Loss arising in the year not relievable against current tax	102
	<u> </u>
Tax on loss on ordinary activities	-
	<u> </u>

A net deferred tax asset of £114k has not been recognised in respect of tax losses as there is insufficient evidence that the asset would be recoverable. The net unrecognised deferred tax asset comprises a deferred tax asset of £102k in respect of accumulated tax losses and £12k decelerated capital allowances. The unrecognised deferred tax asset would be recoverable to the extent that the company generates sufficient taxable profits in the future.

ITM (POWER) TRADING LIMITED
(formerly Quay Shelfco 1214 Limited)

NOTES TO THE FINANCIAL STATEMENTS
Period from 13 March 2007 to 30 April 2008

8. TANGIBLE FIXED ASSETS

	Assets in the course of const- ruction £'000	Production plant and equipment £'000	Computer equipment £'000	Office furniture and fittings £'000	Leasehold improve- ments £'000	Total £'000
Cost						
Additions in period	115	190	16	45	600	966
At 30 April 2008	115	190	16	45	600	966
Depreciation						
Charge for the period	-	9	1	4	48	62
At 30 April 2008	-	9	1	4	48	62
Net book value						
At 30 April 2008	115	181	15	41	552	904

9. STOCKS

	£'000
Raw materials	95

10 DEBTORS

	£'000
Other debtors	14
Prepayments and accrued income	30
	44

All amounts are due within one year

ITM (POWER) TRADING LIMITED
(formerly Quay Shelfco 1214 Limited)

NOTES TO THE FINANCIAL STATEMENTS
Period from 13 March 2007 to 30 April 2008

11 CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR

	£'000
Trade creditors	57
Amounts payable to parent company	1,412
Other taxation and social security	7
Other creditors	1
Accruals	35
	<u>1,512</u>

12. CALLED UP SHARE CAPITAL

	£
Authorised	
1,000 ordinary shares of £1 each	<u>1,000</u>
Called up, allotted and fully paid	
1 ordinary share of £1	<u>1</u>

On incorporation the company issued 1 ordinary share of £1 at par

13. SHARED BASED PAYMENTS

Equity-settled share option scheme

- The parent company operates a HM Revenue & Customs approved Save As You Earn (SAYE) share option scheme to provide group employees the opportunity to acquire a proprietary interest in the parent company as an incentive to attract and retain their services as follows

	Number	Weighted average exercise price
Outstanding at beginning of period	-	-
Transferred during the period	7,052	130p
Granted during the period	-	-
Exercised during the period	-	-
	<u>7,052</u>	<u>130p</u>
Outstanding at the end of the period	-	
Exercisable at the end of the period	-	

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

ITM (POWER) TRADING LIMITED
(formerly Quay Shelfco 1214 Limited)

NOTES TO THE FINANCIAL STATEMENTS
Period from 13 March 2007 to 30 April 2008

13 SHARED BASED PAYMENTS (continued)

The assumptions for the Black-Scholes model are as follows

Weighted averages

Share price	163p
Exercise price	130p
Expected volatility	58%
Expected life	5 years
Risk-free rate	6%

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 company has recognised share-based payment expenses in the profit and loss account for the period of £148

14 RESERVES

	Profit and loss account £'000
Retained loss for the period	(450)
At 30 April 2008	(450)

15 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' DEFICIT

	£'000
Retained loss for the period	(450)
Issue of share	-
Net increase in and closing shareholders' deficit	(450)

ITM (POWER) TRADING LIMITED
(formerly Quay Shelfco 1214 Limited)

NOTES TO THE FINANCIAL STATEMENTS
Period from 13 March 2007 to 30 April 2008

16. GUARANTEES AND OTHER FINANCIAL COMMITMENTS

a) Capital commitments

Capital commitments are as follows

	£'000
Contracted for but not provided for	19

b) Operating lease commitments

Annual commitments under non-cancellable operating leases are as follows

	Land and buildings £'000
Expiry date	
- between five and ten years	75

17. ULTIMATE CONTROLLING PARTY

The company's immediate and ultimate parent undertaking and ultimate controlling party is ITM Power Plc, a company incorporated in the United Kingdom

The smallest and largest group in which the results of the company are consolidated is that headed by ITM Power Plc, a company incorporated in the United Kingdom, whose principal place of business is at Mill House, Royston Road, Wendens Ambo, Saffron Walden, Essex CB11 4JX

Copies of the consolidated financial statements can be obtained from the above address

18. RELATED PARTY TRANSACTIONS

The company is exempt from disclosing transactions with group companies as consolidated financial statements are publicly available