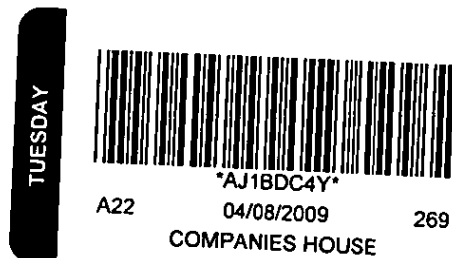


ITM POWER (TRADING) LIMITED

Report and Financial Statements

Year ended 30 April 2009



ITM POWER (TRADING) LIMITED

REPORT AND FINANCIAL STATEMENTS 2009

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ITM POWER (TRADING) LIMITED

REPORT AND FINANCIAL STATEMENTS 2009

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

D J Highgate
P Hargreaves

SECRETARY

M J Scott

REGISTERED OFFICE

22 Atlas Way
Sheffield
S4 7QQ

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 LLP
Chartered Accountants
Cambridge

ITM POWER (TRADING) LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 30 April 2009.

This directors' report has been prepared in accordance with the provisions applicable to small companies entitled to the small companies exemption.

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:

F J Heathcote (resigned 20 February 2009)
D J Highgate
P Hargreaves

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). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs 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; and
- 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

GOING CONCERN

The company continues to receive the support of its parent company to allow it to meet its liabilities as they fall due. As a consequence, the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

ITM POWER (TRADING) LIMITED

DIRECTORS' REPORT

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 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 'Marns Scott', is written over the signature line.

Secretary

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ITM POWER (TRADING) LIMITED

We have audited the financial statements of ITM Power (Trading) Limited for the year ended 30 April 2009 which comprise the profit and loss account, the balance sheet and the related notes 1 to 18. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with sections 495 and 496 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the 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 company's affairs as at 30 April 2009 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter 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
(TRADING) LIMITED (continued)**

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 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

ITM POWER (TRADING) LIMITED

PROFIT AND LOSS ACCOUNT Year ended 30 April 2009

		Year ended 30 April 2009 £'000	13 March 2007 to 30 April 2008 £'000
Operating costs - Prototype production and development		(1,245)	(423)
Other operating income		5	9
OPERATING LOSS	3	(1,240)	(414)
Interest receivable and similar income	5	1	1
Interest payable and similar charges	6	(85)	(37)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(1,324)	(450)
Tax on loss on ordinary activities	7	-	-
RETAINED LOSS FOR THE FINANCIAL YEAR	14	(1,324)	(450)

All activities derive from continuing operations.

There are no recognised gains or losses for the current financial year and preceding 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

BALANCE SHEET

30 April 2009

	Note	2009 £'000	2008 £'000
FIXED ASSETS			
Tangible assets	8	<u>1,217</u>	<u>904</u>
CURRENT ASSETS			
Stocks	9	69	95
Debtors	10	41	44
Cash at bank and in hand		<u>39</u>	<u>19</u>
		149	158
CREDITORS: amounts falling due within one year	11	<u>(3,139)</u>	<u>(1,512)</u>
NET CURRENT LIABILITIES		<u>(2,990)</u>	<u>(1,354)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(1,773)</u>	<u>(450)</u>
CAPITAL AND RESERVES			
Called up share capital	12	-	-
Profit and loss account	14	<u>(1,773)</u>	<u>(450)</u>
SHAREHOLDERS' DEFICIT	15	<u>(1,773)</u>	<u>(450)</u>

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 April 2009

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.

Going concern

The going concern basis has been adopted in preparing the financial statements as described in more detail on page 2.

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
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
Motor vehicles	3 years straight line

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

NOTES TO THE FINANCIAL STATEMENTS Year ended 30 April 2009

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". 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

	Year ended 30 April 2009 £'000	13 March 2007 to 30 April 2008 £'000
Operating loss is after charging (crediting):		
Depreciation of tangible fixed assets	241	62
Rentals under operating leases	72	72
Government grant income	-	(9)

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

ITM POWER (TRADING) LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 30 April 2009

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 £640k (13 March 2007 to 30 April 2008 - £476k).

	Year ended 30 April 2009 No	13 March 2007 to 30 April 2008 No
Average number of persons employed		
Finance and administration	1	1
Production and development	13	6
	<u>14</u>	<u>7</u>
	£'000	£'000
Staff costs during the year (including directors)		
Wages and salaries	346	150
Social security costs	35	14
Other pension costs	10	2
	<u>391</u>	<u>166</u>

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	Year ended 30 April 2009 £'000	13 March 2007 to 30 April 2008 £'000
Bank interest	<u>1</u>	<u>1</u>

6. INTEREST PAYABLE AND SIMILAR CHARGES

	Year ended 30 April 2009 £'000	13 March 2007 to 30 April 2008 £'000
Bank interest	-	1
Intercompany interest	85	36
	<u>85</u>	<u>37</u>

ITM POWER (TRADING) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 April 2009

7. TAX ON LOSS ON ORDINARY ACTIVITIES

	Year ended 30 April 2009 £'000	13 March 2007 to 30 April 2008 £'000
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Current taxation

United Kingdom corporation tax

- -

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 28% (17 March 2007 to 30 April 2008 - 28%). The actual tax charge for the current year and previous period differs from the standard tax rate for the reasons set out in the following reconciliation:

	Year ended 30 April 2009 £'000	13 March 2007 to 30 April 2008 £'000
Loss on ordinary activities before taxation	(1,324)	(450)
Tax on loss on ordinary activities at standard rate of 28% (17 March 2007 to 30 April 2008 - 28%)	(371)	(126)
Factors affecting charge for the year:		
Expenses not deductible for tax purposes	1	12
Qualifying depreciation in excess of capital allowances	56	7
Capital items expensed in the profit and loss account	-	5
Loss arising in the year not relievable against current tax	314	102
Tax on loss on ordinary activities	-	-

A net deferred tax asset of £494k (2008 - £114k) 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 £570k (2008 - £102k) in respect of accumulated tax losses and £76k accelerated capital allowances (2008 - £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

NOTES TO THE FINANCIAL STATEMENTS Year ended 30 April 2009

8. TANGIBLE FIXED ASSETS

	Assets in the course of const- ruction £'000	Plant and equipment £'000	Computer equipment £'000	Office furniture and fittings £'000	Leasehold improve- ments £'000	Motor vehicles £'000	Total £'000
Cost							
At 1 April 2008	115	190	16	45	600	-	966
Additions in year	1	517	54	16	77	6	671
Disposals in year	(116)	(2)	-	-	-	-	(118)
At 30 April 2009	-	705	70	61	677	6	1,519
Depreciation							
At 1 May 2008	-	9	1	4	48	-	62
Disposals	-	(2)	-	-	-	-	(2)
Charge for the year	-	58	12	13	158	1	242
At 30 April 2009	-	65	13	17	206	1	302
Net book value							
At 30 April 2009	-	640	57	44	471	5	1,217
At 30 April 2008	115	181	15	41	552	-	904

9. STOCKS

	2009 £'000	2008 £'000
Raw materials	69	95

10. DEBTORS

	2009 £'000	2008 £'000
Other debtors	13	14
Prepayments and accrued income	28	30
	41	44

All amounts are due within one year.

ITM POWER (TRADING) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 April 2009

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2009 £'000	2008 £'000
Trade creditors	62	57
Amounts payable to parent company	3,024	1,412
Other taxation and social security	14	7
Other creditors	-	1
Accruals	39	35
	<u>3,139</u>	<u>1,512</u>

12. CALLED UP SHARE CAPITAL

	2009 £	2008 £
Authorised		
1,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
Called up, allotted and fully paid		
1 ordinary share of £1	<u>1</u>	<u>1</u>

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:

	2009		2008	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding at beginning of year	7,052	130p	-	-
Transferred during the year	-	-	7,052	130p
Expired during the year	<u>(7,052)</u>	<u>130p</u>	<u>-</u>	<u>-</u>
Outstanding at the end of the year	<u>-</u>	<u>-</u>	<u>7,052</u>	<u>130p</u>
Exercisable at the end of the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

ITM POWER (TRADING) LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 30 April 2009

13. SHARED BASED PAYMENTS (continued)

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

	2009	2008
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 year of £909 (13 March 2007 to 30 April 2008 - £148).

14. RESERVES

	Profit and loss account £'000
At 1 May 2008	(450)
Retained loss for the year	(1,324)
Capital contribution from parent company	1
	<hr/>
At 30 April 2009	(1,773)
	<hr/>

15. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' DEFICIT

	2009 £'000	2008 £'000
Loss for the year	(1,324)	(450)
Capital contribution from parent company	1	-
	<hr/>	<hr/>
Net increase in shareholders' deficit	(1,323)	(450)
Opening shareholders' deficit	(450)	-
	<hr/>	<hr/>
Closing shareholders' deficit	(1,773)	(450)
	<hr/>	<hr/>

ITM POWER (TRADING) LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 30 April 2009

16. GUARANTEES AND OTHER FINANCIAL COMMITMENTS

a) Capital commitments

Capital commitments are as follows:

	2009 £'000	2008 £'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	
	2009 £'000	2008 £'000
Expiry date		
- after five ten years	75	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 Atlas Way, Sheffield, S4 7QQ.

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

18. RELATED PARTY TRANSACTIONS

The company meets the definition of an exempt subsidiary undertaking in FRS8. Consequently, the company has taken advantage of the exemption from disclosing transactions with other group companies qualifying as related parties.