

ITM POWER (TRADING) LIMITED

Report and Financial Statements

Year ended 30 April 2015

27/04/2016

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ITM POWER (TRADING) LIMITED

REPORT AND FINANCIAL STATEMENTS 2015

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ITM POWER (TRADING) LIMITED

REPORT AND FINANCIAL STATEMENTS 2015

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

R Putnam
Dr G Cooley
Dr S Bourne

SECRETARY

A Allen

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

AUDITOR

Deloitte LLP
1 City Square
Park Row
Leeds
LS1 2AL

ITM POWER (TRADING) LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 30 April 2015.

The directors have taken the small companies exemption contained in s414B of the Companies Act 2006 from the requirement to prepare a strategic report.

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

PRINCIPAL ACTIVITY

The principal activity of the company during the year was to research, manufacture, market and sell electrolyzers. The directors expect these activities to continue for the foreseeable future.

During the year, substantially, the trade and assets of ITM Power (Research) Limited were transferred to ITM Power (Trading) Limited for the consideration of £2.271m.

RESULTS

The company's turnover amounted to £1.397m (2014 - £1.031m) in the year. The company had net current assets, excluding intercompany creditors, of £3.779m (2014 - £0.758m) at 30 April 2015.

The directors are satisfied with the results for the year.

DIVIDENDS

The directors do not recommend the payment of a dividend (2014 - £nil).

GOING CONCERN

The company is financed by ITM Power plc, its parent company (together with its subsidiaries "the Group"), and is reliant on ITM Power plc's on-going financial support. Based on discussions with ITM Power plc, the directors consider that the Company forms an integral part of ITM Power plc's strategy and business model. In addition, they have also received a signed letter of financial support from ITM Power plc.

In order to assess the ability of ITM Power plc to provide such financial support, the directors have obtained a copy of ITM Power plc's cash flow forecast (the "Forecast") for the period to 30 April 2017 (the "Forecast Period"). The Forecast includes a number of material assumptions, including the level of contracted sales, profitability and grant income, the timing of which is inherently uncertain. The Forecast shows that, if ITM Power plc is unable to generate the expected level of sales and profit growth, it will need to consider alternative ways to enable the Group to trade and meet its liabilities as they fall due. These alternatives would include options such as the need to raise additional financing within the Forecast Period. These conditions constitute a material uncertainty that may cast significant doubt of the Company's ability to continue as a going concern.

In making their going concern assessment, the directors have considered, inter alia, ITM Power plc's historic track record of pipeline growth, along with successfully raising additional financing. Therefore, notwithstanding this material uncertainty, the Directors have a reasonable expectation that the parent, and therefore the Company, will have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing these financial statements. Further information regarding the going concern assumption is in note 1 to the financial statements.

DIRECTORS

The directors who served throughout the year and to the date of this report were as follows:

Dr S Bourne
Dr G Cooley
R Putnam

DIRECTORS' INDEMNITIES

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

ITM POWER (TRADING) LIMITED

DIRECTORS' REPORT

AUDITOR

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 auditor is 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 auditor is 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 auditor 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



S J Bourne

Director

Date: 29 April 2016

ITM POWER (TRADING) LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have 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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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.

INDEPENDENT AUDITOR'S 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 2015 which comprise the profit and loss account, the balance sheet and the related notes 1 to 21. 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 Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

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 and express an opinion on 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. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2015 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.

Emphasis of matter - Going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the company's ability to continue as a going concern. The company is reliant on the ability of its parent company, ITM Power plc, to provide financial support, which is, in turn, dependent on the ability of the Group to generate sufficient sales, grant income and profitability. In the event that the Group is not able to generate sufficient sales, grant income and profitability, it will need to consider alternative ways to enable the Group to trade and meet its liabilities as they fall due. These conditions, along with the other matters explained in note 1, to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ITM POWER (TRADING) LIMITED (continued)

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.

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; or
- the directors were not entitled to take advantage of the small companies exception from preparing a Strategic Report or in preparing the Directors' Report



Matthew Hughes BSc (Hons) ACA (Senior Statutory Auditor)

For and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor

Leeds, United Kingdom

27 April 2016

ITM POWER (TRADING) LIMITED

PROFIT AND LOSS ACCOUNT Year ended 30 April 2015

	Note	2015 Existing Operations £'000	2015 Acquisi- tions Note 17 £'000	2015 Total £'000	2014 £'000
TURNOVER	2	1,397	-	1,397	1,031
Cost of sales		(1,112)	-	(1,112)	(1,816)
GROSS PROFIT/(LOSS)		285	-	285	(785)
Administrative expenses:					
Research and development		-	(376)	(376)	-
Other		(2,325)	(161)	(2,486)	(3,802)
		(2,325)	(537)	(2,862)	(3,802)
Other operating income - grant income		1,514	-	1,514	1,370
OPERATING LOSS	3	(526)	(537)	(1,063)	(3,217)
Interest payable and similar charges	5	(275)	-	(275)	(141)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(801)	(537)	(1,338)	(3,358)
Tax on loss on ordinary activities	6	-	57	57	-
LOSS FOR THE FINANCIAL YEAR	15	(801)	(480)	(1,281)	(3,358)

All activities derive from continuing operations.

There are no recognised gains or losses for the current year or preceding year, other than as stated above. Therefore, no statement of total recognised gains and losses has been presented.

ITM POWER (TRADING) LIMITED

BALANCE SHEET 30 April 2015

	Note	2015 £'000	2014 £'000
FIXED ASSETS			
Tangible assets	7	2,515	1,440
Investments	8	-	-
		<u>2,515</u>	<u>1,440</u>
CURRENT ASSETS			
Stock	9	512	-
Debtors	10	4,672	783
Cash at bank and in hand		1,381	948
		<u>6,565</u>	<u>1,731</u>
CREDITORS: amounts falling due within one year	11	(20,219)	(13,016)
NET CURRENT LIABILITIES		<u>(13,654)</u>	<u>(11,285)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(11,139)</u>	<u>(9,845)</u>
PROVISIONS FOR LIABILITIES	12	(108)	(122)
NET LIABILITIES		<u>(11,247)</u>	<u>(9,967)</u>
CAPITAL AND RESERVES			
Called up share capital	13	-	-
Profit and loss account	15	(11,247)	(9,967)
SHAREHOLDERS' DEFICIT	16	<u>(11,247)</u>	<u>(9,967)</u>

The financial statements of ITM Power (Trading) Limited, registered number 6156553, were approved by the Board of Directors and authorised for issue on 27 April 2016.

Signed on behalf of the Board of Directors



S J Bourne
Director

ITM POWER (TRADING) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 April 2015

I. ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards.

Going concern

The company is financed by ITM Power plc, its parent company (together with its subsidiaries "the Group"), and is reliant on ITM Power plc's on-going financial support. Based on discussions with ITM Power plc, the directors consider that the Company forms an integral part of ITM Power plc's strategy and business model. In addition, they have also received a signed letter of financial support from ITM Power plc.

In order to assess the ability of ITM Power plc to provide such financial support, the directors have obtained a copy of ITM Power plc's cash flow forecast (the "Forecast") for the period to 30 April 2017 (the "Forecast Period"). The Forecast includes a number of material assumptions, including the level of contracted sales, profitability and grant income, the timing of which is inherently uncertain. The Forecast shows that, if ITM Power plc is unable to generate the expected level of sales and profit growth, it will need to consider alternative ways to enable the Group to trade and meet its liabilities as they fall due. These alternatives would include options such as the need to raise additional financing within the Forecast Period. These conditions constitute a material uncertainty that may cast significant doubt of the Company's ability to continue as a going concern.

In making their going concern assessment, the directors have considered, inter alia, ITM Power plc's historic track record of pipeline growth, along with successfully raising additional financing. Therefore, notwithstanding this material uncertainty, the Directors have a reasonable expectation that the parent, and therefore the Company, will have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing these financial statements.

Cash flow statement

As permitted by FRS 1 (revised 1996) '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 (of which ITM Power (Trading) Limited is a wholly owned subsidiary) are publicly available.

Group financial statements

The company was, at the end of the period, a wholly owned subsidiary of ITM Power plc, incorporated in the United Kingdom. As a result, the company, in accordance with Section 400 of the Companies Act 2006, is not required to produce, and has not published, consolidated financial statements. The financial statements therefore provide information about the company and not about its group.

Tangible fixed assets

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

On tangible fixed assets, depreciation is provided at rates calculated to write off the cost, 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
Laboratory and test equipment	4 to 6 years straight line
Leasehold improvements	The shorter of 4 years straight line or the residual period of the lease

No depreciation is provided on assets in the course of construction.

ITM POWER (TRADING) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 April 2015

I. ACCOUNTING POLICIES (continued)

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes materials, direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

Long-term contracts

Amounts recoverable on long-term contracts, which are included in debtors, are stated at the net sales value of the work done less amounts received as progress payments on account. Excess progress payments are included in creditors as payments on account. Cumulative costs incurred net of amounts transferred to cost of sales, less provision for contingencies and anticipated future losses on contracts, are included as long-term contract balances in stock.

Turnover

Turnover 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. Turnover is recognised when the goods are delivered and collectability is considered probable.

Profit is recognised on long-term contracts, if the final outcome can be assessed with reasonable certainty, by including in the profit and loss account turnover and related costs as contract activity progresses. Turnover is calculated by reference to the value of work performed to date as a proportion of the total contract 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.

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.

ITM POWER (TRADING) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 April 2015

I. ACCOUNTING POLICIES (continued)

Grants

Government and other grants relating to tangible fixed assets are treated as deferred income and released to the profit and loss account over the expected lives of the assets concerned. Other grants are credited to the profit and loss account as the expenditure is incurred.

Share-based payments

The company has applied the requirements of FRS 20 "Share-based Payment" and UITF 44 "Group and Treasury transactions". 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 January 2006.

The company's ultimate parent company issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) 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 company's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Fair value is measured by use of the Black-Scholes option pricing model. 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.

2. TURNOVER

All turnover derived from the Company's principal activity.

Geographic analysis of turnover

A geographic analysis of the Company's turnover is set out below:

	2015 £'000	2014 £'000
United Kingdom	166	138
Rest of Europe	776	695
North America	455	122
Other	-	76
	<u>1,397</u>	<u>1,031</u>

ITM POWER (TRADING) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 April 2015

3. OPERATING LOSS

	2015 £'000	2014 £'000
Operating loss is after charging (crediting):		
Depreciation of tangible fixed assets		
Owned	533	535
Profit on disposal of fixed assets	(84)	-
Foreign exchange loss (gains)	79	(58)
Rentals under operating leases		
Land and buildings	72	72
	<u>72</u>	<u>72</u>

Auditor's remuneration for the audit of the company's annual accounts amounted to £15,000 (2014 - £13,000) and in both years was borne by another group undertaking.

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2015 £'000	2014 £'000
Directors' emoluments		
Aggregate emoluments	31	-
Company contributions to money purchase pension schemes	2	-
	<u>33</u>	<u>-</u>

The average monthly number of employees (including executive directors) was:

	2015 No	2014 No
Average number of persons employed		
Research and development	14	-
Production and development	2	4
Finance and administration	6	3
	<u>22</u>	<u>7</u>

Their aggregate remuneration comprised:

	£'000	£'000
Wages and salaries	708	159
Social security costs	68	15
Other pension costs	34	5
	<u>810</u>	<u>179</u>

ITM POWER (TRADING) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 April 2015

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2015 £'000	2014 £'000
Loan interest payable to parent company	275	141

6. TAX ON LOSS ON ORDINARY ACTIVITIES

	2015 £'000	2014 £'000
Current taxation		
Research and development tax credits	(57)	-

The differences between the total current tax shown above and the amount calculated by applying the blended standard rate of UK corporation tax to the loss before tax is as follows:

	2015 £'000	2014 £'000
Loss on ordinary activities before tax	(1,338)	(3,358)
Tax on loss on ordinary activities at blended standard UK corporation tax rate of 20.9% (2014 - 22.84%)	(280)	(766)
Effects of:		
Depreciation in excess of capital allowances	-	112
Research and development tax credits	(57)	-
Other short-term timing differences	-	1
Unrelieved tax losses carried forward	280	653
Total current tax	(57)	-

Factors affecting future tax charges.

The company has tax losses available to carry forward against future taxable profits, subject to agreement with the HM Revenue & Customs.

The amounts of deferred tax assets not provided are as follows:

	2015 £'000	2014 £'000
Unrecognised deferred tax:		
Tax losses	1,953	1,584
Decelerated capital allowances	302	302
	2,255	1,886

ITM POWER (TRADING) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 April 2015

6. TAX ON LOSS ON ORDINARY ACTIVITIES (continued)

The unrecognised deferred tax asset would be recoverable to the extent that the company generates sufficient taxable profits in the future.

In accordance with FRS 19 'Deferred tax' no deferred tax asset has been recognised in respect of these losses as there is insufficient persuasive and reliable evidence that they will be utilised.

In recent years the UK Government has steadily reduced the rate of UK corporation tax, with the latest rates substantively enacted in July 2013 now standing at 21% with effect from 1 April 2014 and 20% with effect from 1 April 2015. The closing deferred tax assets and liabilities have been calculated at 20% in accordance with the rates enacted at the balance sheet date.

In the Budget on 8 July 2015, the UK Government proposed, amongst other things, to further reduce the main rate of UK corporation tax to 19% with effect from 1 April 2017 and to 18% with effect from 1 April 2020. These rate changes were substantively enacted in the Finance Bill 2015 on 26 October 2015 and existing temporary differences may therefore unwind in periods subject to these reduced rates.

7. TANGIBLE FIXED ASSETS

	Production plant and equipment £'000	Laboratory and test equipment £'000	Computer equipment £'000	Office furniture and fittings £'000	Leasehold improvements £'000	Assets in the course of construction £'000	Total £'000
Cost							
At 1 May 2014	3,059	-	134	111	744	-	4,048
Additions	79	-	1	-	94	1,239	1,413
Disposals	(93)	-	(1)	-	-	-	(94)
Acquisitions	7	265	5	3	7	-	287
Transfer	(537)	-	-	-	-	537	-
At 30 April 2015	2,515	265	139	114	845	1,776	5,654
Depreciation							
At 1 May 2014	1,673	-	88	103	744	-	2,608
Charge for the year	469	22	22	6	14	-	533
Disposals	(1)	-	(1)	-	-	-	(2)
At 30 April 2015	2,141	22	109	109	758	-	3,139
Net book value							
At 30 April 2015	374	243	30	5	87	1,776	2,515
At 30 April 2014	1,386	-	46	8	-	-	1,440

ITM POWER (TRADING) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 April 2015

8. FIXED ASSET INVESTMENTS

				Subsidiary undertaking £
Cost and net book value				
At 1 May 2014 and 30 April 2015				1
	Country of incorporation	Principal activity	Holding	%
ITM Motive Limited	UK	Research	Ordinary	100

ITM Motive Limited has been treated as a subsidiary undertaking because the group exercises dominant influence over this investment, directing its financial and operating policies.

9. STOCKS

	2015 £'000	2014 £'000
Work in progress	512	-

There is no material difference between the balance sheet value of stocks and their replacement cost.

10. DEBTORS

	2015 £'000	2014 £'000
Amounts due within one year		
Trade debtors	1,273	-
Amounts due from group undertakings	1,749	-
Corporation tax receivable	57	-
Other debtors	610	10
Prepayments and accrued income	983	773
	4,672	783

ITM POWER (TRADING) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 April 2015

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2015 £'000	2014 £'000
Trade creditors	1,079	345
Amounts owed to group undertakings	17,433	12,043
Other taxation and social security	43	10
Other creditors	-	24
Accruals	758	103
Deferred income	906	491
	<u>20,219</u>	<u>13,016</u>

Amounts owed to parent undertaking is repayable on demand with interest charged at 1% above the Bank of England base rate.

12. PROVISIONS FOR LIABILITIES

	Product warranties £'000
At 1 May 2014	122
Additional provision in the year	108
Utilisation of provision	(57)
Release of unused provision	(65)
	<u>108</u>
At 30 April 2015	<u>108</u>

The warranty provision represents management's best estimate of the group's liability under 12-month warranties, based on past experience.

13. CALLED UP SHARE CAPITAL

	2015 £	2014 £
Called up, allotted and fully paid		
1 ordinary share of £1	<u>1</u>	<u>1</u>

ITM POWER (TRADING) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 April 2015

14. SHARE BASED PAYMENTS

Equity-settled share option scheme

The parent company operates an Enterprise Management Initiative share option scheme under which all employees were issued with share options.

	2015		2014	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding at beginning of year	60,068	38p	60,068	24p
Granted during the year	-	-	-	-
Transferred from ITM Power Research Ltd	1,614,662	33p	-	-
Expired	(21,317)	31p	-	-
Exercised during the year	-	-	-	-
Outstanding at the end of the year	<u>1,653,413</u>	<u>33p</u>	<u>60,068</u>	<u>38p</u>
Exercisable at the end of the year	<u>1,653,413</u>	<u>33p</u>	<u>60,068</u>	<u>38p</u>

The options outstanding at 30 April 2015 had a weighted average exercise price of £0.33 and a weighted average remaining contractual life of 7.4 years.

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

	2015	2014
Weighted averages:		
Share price	37p	19p
Exercise price	37p	38p
Expected volatility	58%	27%
Expected life	3 years	2 years
Risk-free rate	<u>4.4%</u>	<u>1.7%</u>

Expected volatility was determined by calculating the historical volatility of the group's share price over the previous 12 months and also by considering the volatility of other early stage, 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 £1,000 (2014 - £2,000).

ITM POWER (TRADING) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 April 2015

15. PROFIT AND LOSS ACCOUNT

	£'000
At 1 May 2014	(9,967)
Loss for the financial year	(1,281)
Credit to equity for share based payments	1
	<u>(11,247)</u>
At 30 April 2015	<u>(11,247)</u>

16. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' DEFICIT

	2015 £'000	2014 £'000
Loss for the year	(1,281)	(3,358)
Credit to equity for share based payments	1	2
	<u>(1,280)</u>	<u>(3,356)</u>
Net increase in shareholders' deficit	(9,967)	(6,611)
Opening shareholders' deficit	<u>(11,247)</u>	<u>(9,967)</u>
Closing shareholders' deficit	<u>(11,247)</u>	<u>(9,967)</u>

17. ACQUISITION OF A BUSINESS

On 28 February 2015, the company acquired certain of the trade and assets of ITM Power (Research) Limited, at book value, which approximated to fair value, for an amount of £2,271,000. ITM Power (Research) Limited is a fellow subsidiary undertaking of ITM Power plc and is incorporated in the United Kingdom.

	Book and fair value £'000
Fixed assets	
Tangible fixed assets	263
Current assets	
Stocks	1,439
Debtors	855
	<u>2,557</u>
Creditors	
Trade creditors	(19)
Accruals	(252)
Other creditors	(15)
	<u>(286)</u>
Net assets	<u>2,271</u>
Satisfied by:	
Intercompany creditor	<u>2,271</u>

ITM POWER (TRADING) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 April 2015

17. ACQUISITION OF A BUSINESS (continued)

The acquired business incurred a loss after taxation in the year ended 30 April 2015 of £2,324,000, of which £2,324,000 arose in the period from 1 May 2014 to 28 February 2015. The summarised profit and loss account for the period from 1 May 2014 to 28 February 2015 is shown in the "Acquisitions" column of the profit and loss account.

18. GUARANTEES AND OTHER FINANCIAL COMMITMENTS

a) Capital commitments

The company had no capital commitments at the balance sheet date (2014 - £nil).

b) Operating lease commitments

Annual commitments under non-cancellable operating leases are as follows:

	Land and buildings	
	2015	2014
	£'000	£'000
Expiry date		
- between two and five years	75	75

19. CONTINGENT LIABILITIES

In prior years ITM Power (Research) Limited was originally awarded a grant by the Department of Trade and Industry for novel materials and processes for alcohol based fuel cells, which was 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 ITM Power plc 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. The maximum potential refund at 30 April 2015 would be the cumulative amount received to date of £469,000 (2014 - £469,000) in the event that sufficient revenues are generated from the prototypes developed under the grant agreement. This contingent liability was included in the trade and assets that were acquired in the year.

20. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption included in FRS 8 'Related Party Disclosures' for wholly owned subsidiaries not to disclose transactions with entities that are part of the group qualifying as related parties.

21. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

The directors regard ITM Power Plc as the immediate and ultimate parent company and the ultimate controlling party. ITM Power Plc is a company incorporated in England and Wales.

The smallest and largest group in which the results of the company are consolidated for the year ended 30 April 2015 is that headed by ITM Power Plc. Copies of the consolidated accounts of ITM Power Plc which includes the results of the company can be obtained from 22 Atlas Way, Sheffield, S4 7QQ or from www.itm-power.com.