

**ITM POWER (TRADING) LIMITED**

**Report and Financial Statements**

**Year ended 30 April 2014**

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# **ITM POWER (TRADING) LIMITED**

## **REPORT AND FINANCIAL STATEMENTS 2014**

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# **ITM POWER (TRADING) LIMITED**

## **REPORT AND FINANCIAL STATEMENTS 2014**

### **OFFICERS AND PROFESSIONAL ADVISERS**

#### **DIRECTORS**

R Putnam  
Dr G E Cooley  
Dr S J 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  
Chartered Accountants and Statutory Auditor  
Leeds

# **ITM POWER (TRADING) LIMITED**

## **DIRECTORS' REPORT**

The directors present their annual report and the audited financial statements for the year ended 30 April 2014.

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 market and sell electrolyzers and fuel cell systems. The directors expect these activities to continue for the foreseeable future.

## **RESULTS**

The company's turnover amounted to £1,031,000 (2013 - £87,000) in the year. The company had net current assets, excluding intercompany creditors, of £758,000 (2013 - £1,037,000) at 30 April 2014.

The directors are satisfied with the results for the year.

## **DIVIDENDS**

The directors do not recommend the payment of a dividend (2013 - £nil).

## **GOING CONCERN**

The company is financed by ITM Power plc, its parent company, and is reliant on ITM Power plc's on-going financial support. The directors have received a signed letter of financial support from ITM Power plc. The directors have therefore assessed the ability of ITM Power plc to provide such support.

ITM Power plc successfully concluded an equity fund raise in March 2015, for net proceeds of £4,856,000. The Directors of ITM Power plc have prepared a consolidated cash flow forecast (the "Forecast") for the period ending 31 March 2016 (the "Forecast Period"), which includes the proceeds of this fund raise. The Forecast includes a number of assumptions, including the forecast level of sales. The ability of ITM Power plc to continue as a going concern and, therefore, provide the financial support is dependent on its ability to achieve the forecast level of sales. We therefore consider that this constitutes a material uncertainty.

Notwithstanding this material uncertainty, 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 these financial statements.

## **DIRECTORS**

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

Dr S J Bourne  
Dr G E 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.

## **CHARITABLE AND POLITICAL CONTRIBUTIONS**

During the year, the company made no charitable or political donations (2013 - £nil).

## ITM POWER (TRADING) LIMITED

### DIRECTORS' REPORT

#### AUDITOR

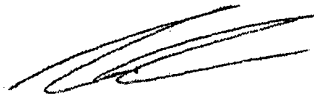
Each of the persons who is a director at the date of approval of this annual report confirms that:

- 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

# **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 2014 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 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 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 2014 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 incurred a net loss of £3,358,000 during the year ended 30 April 2014 and, at that date, the company's current liabilities exceeded its total assets by £9,845,000 and it had net current liabilities of £11,285,000. 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 matter prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic Report and 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 exemption 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

*18 March 2015*



# ITM POWER (TRADING) LIMITED

## PROFIT AND LOSS ACCOUNT

Year ended 30 April 2014

	Note	2014 £'000	2013 £'000
<b>TURNOVER</b>	2	1,031	87
Cost of sales		(1,816)	(136)
<b>GROSS LOSS</b>		(785)	(49)
Administrative expenses		(3,802)	(2,357)
Other operating income - grant income		1,370	1,358
<b>OPERATING LOSS</b>	3	(3,217)	(1,048)
Interest payable and similar charges	5	(141)	(108)
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		(3,358)	(1,156)
Tax on loss on ordinary activities	6	-	-
<b>LOSS FOR THE FINANCIAL YEAR</b>	14	(3,358)	(1,156)

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

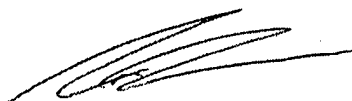
## BALANCE SHEET

30 April 2013

	Note	2014 £'000	2013 £'000
<b>FIXED ASSETS</b>			
Tangible assets	7	1,440	1,110
Investments	8	-	-
		<u>1,440</u>	<u>1,110</u>
<b>CURRENT ASSETS</b>			
Debtors	9	783	1,262
Cash at bank and in hand		948	669
		<u>1,731</u>	<u>1,931</u>
<b>CREDITORS: amounts falling due within one year</b>	10	<u>(13,016)</u>	<u>(9,615)</u>
<b>NET CURRENT LIABILITIES</b>		<u>(11,285)</u>	<u>(7,684)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>(9,845)</u>	<u>(6,574)</u>
<b>PROVISIONS FOR LIABILITIES</b>	11	<u>(122)</u>	<u>(37)</u>
<b>NET LIABILITIES</b>		<u>(9,967)</u>	<u>(6,611)</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	12	-	-
Profit and loss account	14	<u>(9,967)</u>	<u>(6,611)</u>
<b>SHAREHOLDERS' DEFICIT</b>	15	<u>(9,967)</u>	<u>(6,611)</u>

The financial statements of ITM Power (Trading) Limited, registered number 6156553, were approved by the Board of Directors and authorised for issue on 17 March 2015.

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 2014

### 1. 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.

#### **Group accounts**

The company is exempt by virtue of s401 of the Companies Act 2006 from the requirement to prepare group accounts. These financial statements present information about the company as an individual undertaking and not about its group.

#### **Going concern**

The company is financed by ITM Power plc, its parent company, and is reliant on ITM Power plc's on-going financial support. The directors have received a signed letter of financial support from ITM Power plc. The directors have therefore assessed the ability of ITM Power plc to provide such support.

ITM Power plc successfully concluded an equity fund raise in March 2015, for net proceeds of £4,856,000. The Directors of ITM Power plc have prepared a consolidated cash flow forecast (the "Forecast") for the period ending 31 March 2016 (the "Forecast Period"), which includes the proceeds of this fund raise. The Forecast includes a number of assumptions, including the forecast level of sales. The ability of ITM Power plc to continue as a going concern and, therefore, provide the financial support is dependent on its ability to achieve the forecast level of sales. We therefore consider that this constitutes a material uncertainty.

Notwithstanding this material uncertainty, 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 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.

#### **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
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.

#### **Investments**

Fixed asset investments are shown at cost less provision for impairment.

# ITM POWER (TRADING) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 April 2014

### 1. 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.

#### 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 2014

### 1. 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. 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 directors consider there to be only one geographical location.

### 3. OPERATING LOSS

	2014 £'000	2013 £'000
<b>Operating loss is after charging (crediting):</b>		
Depreciation of tangible fixed assets		
Owned	535	539
Gain on disposal of fixed assets	-	(3)
Foreign exchange gains	(58)	(8)
Rentals under operating leases		
Land and buildings	72	75

Auditor's remuneration for the audit of the company's annual accounts amounted to £13,000 (2013 - £11,000) and in both years was borne by another group undertaking.

# ITM POWER (TRADING) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 April 2014

### 4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

Directors' emoluments are borne by other group undertakings. It is not practicable to allocate directors' emoluments into this company. The total emoluments paid to the directors by the parent company is £662,000 (2013 - £674,000). The remuneration of the highest paid director was £303,000 (2013 - £344,000).

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

	2014 No	2013 No
<b>Average number of persons employed</b>		
Finance and administration	3	1
Production and development	4	3
	<u>7</u>	<u>4</u>

Their aggregate remuneration comprised:

	£'000	£'000
Wages and salaries	159	110
Social security costs	15	11
Other pension costs	5	2
	<u>179</u>	<u>123</u>

### 5. INTEREST PAYABLE AND SIMILAR CHARGES

	2014 £'000	2013 £'000
Loan interest payable to parent company	<u>141</u>	<u>108</u>

# ITM POWER (TRADING) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 April 2014

### 6. TAX ON LOSS ON ORDINARY ACTIVITIES

	2014 £'000	2013 £'000
<b>Current taxation</b>		
Research and development tax credits - prior year	-	-
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:		
	2014 £'000	2013 £'000
Loss on ordinary activities before tax	(3,358)	(1,156)
Tax on loss on ordinary activities at blended standard UK corporation tax rate of 22.84% (2013 - 23.92%)	(766)	(276)
Effects of:		
Depreciation in excess of capital allowances	112	130
Other shortterm timing differences	1	-
Unrelieved tax losses carried forward	653	146
Tax on loss on ordinary activities	-	-

#### 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 Finance Act 2013, which provides for reductions in the main rate of corporation tax from 23% to 21% effective from 1 April 2014 and to 20% effective from 1 April 2015, was substantively enacted on 2 July 2013. These rate reductions have been reflected in the calculation of deferred tax at the balance sheet date.

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

	2014 £'000	Not provided 2013 £'000
Decelerated capital allowances	302	869
Tax losses	1,584	1,159
	1,886	2,028

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.

# ITM POWER (TRADING) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 April 2014

### 7. TANGIBLE FIXED ASSETS

	Plant and equipment £'000	Computer equipment £'000	Office furniture and fittings £'000	Leasehold improve- ments £'000	Total £'000
<b>Cost</b>					
At 1 May 2013	2,238	123	111	744	3,216
Additions	825	40	-	-	865
Disposals	(4)	(29)	-	-	(33)
At 30 April 2014	3,059	134	111	744	4,048
<b>Depreciation</b>					
At 1 May 2013	1,186	100	93	727	2,106
Charge for the year	491	17	10	17	535
Disposals	(4)	(29)	-	-	(33)
At 30 April 2014	1,673	88	103	744	2,608
<b>Net book value</b>					
At 30 April 2014	1,386	46	8	-	1,440
At 30 April 2013	1,052	23	18	17	1,110

### 8. FIXED ASSET INVESTMENTS

	Subsidiary undertaking £
<b>Cost and net book value</b>	
At 1 May 2013 and 30 April 2014	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



# ITM POWER (TRADING) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 April 2014

### 9. DEBTORS

	2014 £'000	2013 £'000
<b>Amounts due within one year</b>		
Trade debtors	-	37
Other debtors	10	263
Prepayments and accrued income	773	962
	<u>783</u>	<u>1,262</u>

### 10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2014 £'000	2013 £'000
Trade creditors	345	262
Amounts owed to group undertakings	12,043	8,721
Other taxation and social security	10	3
Other creditors	24	7
Accruals	103	86
Deferred income	491	536
	<u>13,016</u>	<u>9,615</u>

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

### 11. PROVISIONS FOR LIABILITIES

	Product warranties £'000
At 1 May 2013	37
Charged to profit and loss account	85
	<u>122</u>
At 30 April 2014	<u>122</u>

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

### 12. CALLED UP SHARE CAPITAL

	2014 £	2013 £
<b>Called up, allotted and fully paid</b>		
1 ordinary share of £1	<u>1</u>	<u>1</u>

# ITM POWER (TRADING) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 30 April 2014

### 13. 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.

	2014		2013	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding at beginning of year	60,068	24p	80,001	24p
Granted during the year	-	-	50,000	41p
Exercised during the year	-	-	(69,933)	24p
Outstanding at the end of the year	60,068	38p	60,068	38p
Exercisable at the end of the year	60,068	38p	10,068	24p

The options outstanding at 30 April 2014 had a weighted average exercise price of £0.38 and a weighted average remaining contractual life of 8.4 years. In 2013, options were granted on 6 March 2013. The aggregate of the estimated fair values of the options granted on those dates is £22,000.

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

	2014	2013
<b>Weighted averages:</b>		
Share price	19p	41p
Exercise price	38p	41p
Expected volatility	27%	78%
Expected life	2 years	3 years
Risk-free rate	1.7%	6%

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, 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 £2,000 (2013 - £1,000).

### 14. PROFIT AND LOSS ACCOUNT

	£'000
At 1 May 2013	(6,611)
Loss for the financial year	(3,358)
Credit to equity for share based payments	2
At 30 April 2014	(9,967)

# ITM POWER (TRADING) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 April 2014

### 15. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' DEFICIT

	2014 £'000	2013 £'000
Loss for the year	(3,358)	(1,156)
Credit to equity for share based payments	2	1
Net increase in shareholders' deficit	(3,356)	(1,155)
Opening shareholders' deficit	(6,611)	(5,456)
Closing shareholders' deficit	(9,967)	(6,611)

### 16. GUARANTEES AND OTHER FINANCIAL COMMITMENTS

#### a) Capital commitments

The company had no capital commitments at the balance sheet date (2013 - £nil).

#### b) Operating lease commitments

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

	Land and buildings	
	2014 £'000	2013 £'000
Expiry date		
- between two and five years	75	75

#### c) Contingent liabilities

During the reporting period, a customer placed an order for a large-scale electrolyser system, which is recognised in the order book for the Group. A 50% upfront payment was required to secure the order, amounting to €305,680. This amount is held on Guarantee for the customer and would become repayable in the event of ITM Power ceasing to trade.

The Group's directors have prepared the accounts on a going concern basis and do not consider the possibility of ITM Power ceasing to trade as likely to happen.

No provision has been made in these financial statements as the Group's management do not consider that there is any probable loss.

### 17. 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.

## **ITM POWER (TRADING) LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS** **Year ended 30 April 2014**

#### **18. 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 2014 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.