

25 March 2010

Ceres Power Holdings plc

Interim results for the six months ended 31 December 2009

Ceres Power Holdings plc (“Ceres”, “Ceres Power” or “the Group”) announces its interim results for the six months ended 31 December 2009.

Highlights:

- First international mains gas CHP programme secured with Bord Gáis in Ireland, including £1.6 million funding and volume call-off order for 16,000 CHP products
- Initial manufacturing operations commenced in Horsham fuel cell mass production facility
- Volume CHP boiler assembly agreement concluded with Daalderop BV
- Commercial field trial sites selected and instrumented with baseline data capture underway
- Successfully completed equity placing raising net £30m from new and existing shareholders including British Gas
- Strong balance sheet with £46.1m in net cash, short-term investments and financial assets at 31 December 2009

Since the period end:

- Commenced sheltered field trials of CHP products in UK houses under Beta phase
- Commercial field trial CHP units procurement completed and product builds underway
- CHP boiler assemblies being manufactured by Daalderop BV using volume processes
- ‘CE’ product certification process underway with regulatory bodies
- UK Government Feed-in Tariff announced to support mass deployment of fuel cell residential CHP
- Secured £1.2m in new grant funding to support investment in manufacturing capacity and expansion of CHP test infrastructure

Results Summary

	Six months ended 31 December 2009 (Unaudited) £'000	Six months ended 31 December 2008 (Unaudited) £'000
Revenue	295	482
Other operating income	104	113
Operating loss	(6,004)	(4,165)
Interest receivable	204	605
Loss for the financial period	(5,919)	(3,302)
Loss per share	(8.62)p	(4.95)p
Net cash, short-term investments and financial assets	46,134	24,361

Dr Brian Count, Chairman, commented:

“I am pleased to report that Ceres Power has made significant progress during the half year, in which it secured its first international mains gas CHP commercial programme, with Bord Gáis for the Irish market. The Group has commenced initial manufacturing operations from its Horsham fuel cell mass production facility and secured a volume CHP boiler assembly agreement with Daalderop. Sheltered field trials of Ceres Power’s CHP products are now underway in UK houses, as part of the transition to widespread deployment in consumers’ homes.”

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Chairman's Statement

I am pleased to report that Ceres Power has continued to make significant progress in the half year ended 31 December 2009.

We successfully raised £30 million (after expenses) in December 2009 through a placing of 19 million new shares with existing shareholders and new investors. The placing was supported by the Group's major shareholders with British Gas subscribing for 9.95% of the shares placed to continue to support the Group's CHP product development programme. This has significantly strengthened the Group's balance sheet to enable the Group to reach market launch of the mains gas CHP product in H2 2011.

We secured the Group's first international programme, with Bord Gáis for mass market deployment of our mains gas CHP product in the Irish market leveraging the common mains gas CHP product. This demonstrates the Group's strong platform to secure other commercial contracts internationally in due course.

In December, the Group announced that it had commenced fuel cell manufacturing operations from the initial production line installed at its mass manufacturing facility in Horsham. The fuel cells being manufactured in Horsham are assembled by the Group into fuel cell modules and, together with boiler assemblies from Daalderop BV, produce complete CHP products for the Beta field trials. The initial fuel cell production line has sufficient capacity to support the requirements of the Beta and Gamma field trials and we will scale this as required with additional investment for product launch and beyond.

The Group's unique metal supported fuel cell technology is inherently robust, cost effective and is ideally suited for residential CHP products. We continue to make progress in optimising the core technology including ongoing improvements in the heat to power ratio.

The Group is pleased to have begun the trialling of its CHP units in UK houses during Q1 2010. Initial units have been installed and are operating in unoccupied houses as part of the Group's sheltered field trials in parallel with the 'CE' certification process. We are targeting the middle of this year for securing 'CE' marking which is necessary for CHP units to be deployed in consumers' homes during the commercial field trials.

One area where progress has not been as fast as we would have liked is the completion of the design, procure and build phase of the Beta CHP programme. Securing both the Horsham facility and the Daalderop assembly agreement later than expected were contributory factors. The impact of this is that the commercial field trials are now planned to commence during mid 2010. However, our programme remains on track to launch the product commercially in the UK in H2 2011, albeit that our programme contingency is now significantly less.

In February 2010, the UK Government's Department of Energy and Climate Change (DECC) announced that from April 2010 customers installing residential microgeneration devices, like the Group's fuel cell CHP product, will be eligible to receive a new financial incentive for generating electricity in their homes through a Feed-in Tariff. We are pleased that the low carbon benefits of CHP technology that makes efficient use of fossil fuels have been recognised and believe that this incentive will accelerate uptake of our product by increasing the financial benefits to households. This is a significant boost to our business.

On behalf of the Board I would like to thank all of our employees for all their hard work and commitment and I look forward to reporting on the Group's progress over the next six months as we continue to move through the Beta phase of our UK mains gas programme.

Dr Brian Count

Chairman

Chief Executive Officer's Statement

Introduction

I am pleased to report that during the half year the Group has made substantial progress towards achieving the objectives that we set out in last year's Annual Report. In conjunction with delivering the key milestones, we are also continuing to build a delivery focused operational capability which will underpin our future growth as a business.

Residential CHP Products

The Group has adopted a product development process based on industry best practice for bringing new consumer durable products to market. The concurrent development of product design, manufacturing processes and supply chain is designed to minimise business risk, time to market and product cost. This involves a three stage process of performance validation (Alpha), reliability testing (Beta), and mass manufacturing validation (Gamma), after which the product is ready for its market launch. Importantly, Beta and Gamma field trials are conducted using certified CHP units that "look, work and are made like" the final product and are manufactured off volume processes.

Since the sign-off of the Alpha phase by British Gas in May 2009, the Group has incorporated the learnings from the Alpha phase into the Beta design iteration and procured the Beta components for the fuel cell module and CHP units. Testing of these components is underway in preparation for the build of the CHP products for installation in consumers' homes as part of the commercial field trials. The process of obtaining 'CE' certification is underway and the Group expects that 'CE' approval will be obtained in mid 2010 for the units to be installed in consumers' homes.

The Beta phase includes sheltered field trials and commercial field trials of CHP units, together with accelerated life testing in the Group's Horsham facility. During the Beta phase, based on the learnings from the field trials, we will debug the product and design-out any issues that the trials uncover and optimise the CHP control and electronics systems and modes of operation.

The sheltered field trials commenced in Q1 2010 with the installation of two CHP units in unoccupied UK houses. This field trial involves up to eight CHP units using standard boiler connections for mains gas, water and electricity and connected to a standard hot water cylinder and radiator central heating system. The houses are fitted with systems that replicate energy usage during a typical home's occupancy, including heating and hot water draw-off and light and electricity. Ceres is remotely monitoring data including power, gas and room temperatures throughout the houses. The CHP units are running on mains natural gas, exporting and importing power to and from the grid and delivering the homes' heating and hot water needs. These sheltered trials will provide Ceres with valuable information from CHP units running under 'real-life' operating conditions.

In parallel with the sheltered field trials, Ceres has selected an initial group of twenty consumers' homes to conduct the commercial field trials, which is representative of a wide variety of potential operating conditions for Ceres' CHP units. During H2 2009, British Gas and Ceres Power engineers conducted site surveys and instrumented the homes to provide baseline data of the homes' energy usage and room temperatures. This data will be used to validate the in-home operation of Ceres CHP units. Ceres Power is also building a dedicated in-field product support capability for the commercial field trials which are expected to begin in mid 2010.

During the period, we have also continued to make progress in our core fuel cell technology with the stack operating at a heat to power ratio of less than 0.7. The low heat to power ratio together with the load following and cycling capability of Ceres Power's core fuel cell technology, underpins the business case and enables our CHP product to maximise energy savings in the home.

Feed-in Tariff

The Feed-in Tariff (FIT) announced in Q1 2010 by the UK Government's Department of Energy and Climate Change (DECC) is designed to bring about a significant increase in the amount of locally produced green electricity as a contribution to the wider shift of the UK energy mix to low carbon generation. The FIT will provide a financial incentive to customers for small-scale low carbon electricity generated in their homes.

Ceres Power's CHP unit uses the Group's unique fuel cell technology to produce low carbon electricity and heat in the home and substantially reduces the need to buy electricity from the grid. Under the FIT, a household installing a Ceres Power CHP product would receive, for the expected ten year lifetime of the product, a generation payment of 10p/kWh for all electricity generated plus an additional export payment of 3p/kWh for any electricity that is not consumed in the home and is fed back into the grid. Households will still retain the efficiency savings on their energy bills in addition to the FIT payments, providing an incentive to consume on-site any electricity generated, in preference to exporting to the grid.

Ceres estimates that for a typical UK household consuming 4,000 kWh of electricity annually, the impact of the FIT would be to add an annual cashback payment to the household of approximately £360 on top of the energy bill savings from operating a CHP unit. If the FIT payments over the ten year period are capitalised as a single up-front payment (for example by a bank or energy supplier), as enabled by the FIT legislation, this would significantly reduce the price premium compared to a conventional condensing boiler and potentially further accelerate market uptake. The Energy Saving Trust is testing different consumer finance packages including 'Pay As You Save'. Under such schemes, low cost long term loans are offered to consumers to help finance the purchase of low carbon technology products such as micro CHP in order to eliminate the up-front cost and thereby accelerate uptake by consumers.

The Ceres Power CHP product is well aligned with the key requirements of the FIT. With its low heat to power ratio and rapid load following capability, Ceres Power's technology can generate electricity that is matched to the daily and seasonal energy demands of the home and thereby maximises the benefits of the on-site use of electricity. The CHP unit's controllability and load following capability allows it to be used to reduce and/or manage the home's power demand thereby reducing strain on the electricity grid and providing valuable load balancing and enabling greater uptake of intermittent renewables. Together with the roll-out of smart meters over the coming years, the Group's CHP products are well positioned to become an important element of the 'smart grid'.

Manufacturing

During the period, the Group completed the fit-out of its fuel cell mass manufacturing facility in Horsham and installed and commissioned an initial fuel cell manufacturing line. In December 2009, the Group commenced operations in Horsham, manufacturing fuel cells off the initial production line using the key processes and machines that were tested and validated at the Group's Crawley-based pilot plant. The Group continues to benefit from its decision to de-risk the manufacturing scale-up early on and develop volume-capable processes, with the lessons learned from the pilot operations being transferred to the Horsham factory. The initial manufacturing line has enough capacity to manufacture fuel cells and assemble fuel cell modules to meet the requirements of the Beta and Gamma phases. A combination of on-going process improvements and additional investment will be implemented to increase capacity through to market launch and beyond.

The CHP units used in field trials are produced off the volume capable initial fuel cell manufacturing line in Horsham, using co-developed balance of plant components from the Group's global supply chain with the CHP boiler assembly provided by the Group's boiler partner Daalderop BV. Since the end of the period, the Group has commenced a capital investment programme to expand the CHP product and component testing infrastructure at both the Horsham and Crawley sites. This programme has been part-funded by a £0.8 million grant awarded to the Group by the UK Government's Technology Strategy Board and will support the Group's current and future 'go-to-market' commercial programmes.

As manufacturing output continues to increase during 2010 and beyond, the Group will continue to create skilled 'green-collar' jobs in Horsham and across the Group's supply chain in the UK and internationally.

Commercial

In line with the Group's strategy to expand internationally into highly adjacent European markets, the Group secured a major new supply and distribution agreement in November 2009 with Bord Gáis Éireann ('BGE') for residential CHP products operating on natural gas for the Irish market (including the Republic of Ireland and Northern Ireland). This marks the Group's first international customer contract as part of its expansion plans beyond the UK.

Bord Gáis Energy, the retail arm of BGE, is Ireland's leading dual fuel energy supplier selling natural gas and electricity to all market segments. BGE also provides domestic appliance servicing to customers, focusing on boiler service and repair and announced a major energy efficiency Home Services Initiative in 2010 offering homeowners a full-scale energy efficiency service.

Under the terms of the agreement, BGE has agreed to pay Ceres £1.6 million in milestone payments including an upfront payment of £1 million, which was received after the period end. BGE has also agreed to place a call-off order for 16,000 CHP products in aggregate over a four-year period for the Irish market, conditional upon successful completion of the development and trialling phase, and the parties agreeing standard commercial terms. Ceres will sell mains gas CHP products to BGE for the Irish market on an exclusive basis for a four-year period anticipated to begin in 2012, subject to BGE meeting minimum annual order volumes.

With more than 2.5 million homes in the island of Ireland, Ceres and BGE intend to maximise sales of the CHP product by addressing both the installed base of existing homes as well as the annual boiler replacement market.

The Group continues to explore other international market opportunities for CHP products and ways of exploiting Ceres Power's unique technology as part of the 'smart grid'.

Financial Results

The Board's strategy is to ensure that the Group maintains a strong balance sheet to finance the business in a prudent manner. Following the sign-off of the Alpha Phase with British Gas, the Group's priorities have been to invest in building a volume manufacturing capability and developing the operational resources to deliver products through the trialling phase and into market launch. With this in mind, the Group raised £30 million (net of expenses) through a placing of shares in December 2009 with both existing shareholders and new investors and this will enable the Group to make the necessary investment to help grow the business.

Commercial revenue for the six months ended 31 December 2009 decreased by £187,000 to £295,000 (2008: £482,000). This reduction reflects the Group's accounting policy under which the £2 million Alpha milestone completion payment received from British Gas in June 2009 is being recognised as revenue when earned, based on costs incurred over the Beta and Gamma phases. Other operating income from government-related contracts was £104,000 (2008: £113,000).

During the period, the Group continued to invest to support the scale-up of the Beta and Gamma phases of the British Gas programme and towards market launch. The effect in the six months to 31 December 2009 of the investments already made in 2008/09 together with the recruitment of additional staff, the increased development, procurement and other costs of the Beta phase and operating costs of the Horsham facility have resulted in an increase in operating costs to £6,403,000 (2008: £4,760,000). Interest receivable fell by £401,000 to £204,000 (2008: £605,000) reflecting the fall in interest rates to historic lows in 2009. The Group recognised a fair value loss of £119,000 arising on the redemption of the Group's holding of UK Government gilts in December 2009; this unwinds the cumulative net gain recorded in previous periods. The loss for the financial period attributable to shareholders increased to £5,919,000 (2008: £3,302,000).

The net cash used in operating activities increased during the period to £6,260,000 (2008: £3,420,000). This reflects an increase in the loss before tax of £2,617,000 and a net increase in working capital of £1,060,000, arising as a result of the £1,000,000 initial milestone payment from Bord Gáis being received after the period end. Cash outflows attributable to the purchase of plant and equipment increased by 57% to £1,019,000 (2008: £647,000) due to the investment in machines for the initial fuel cell manufacturing line in Horsham. Cash inflow from financing activities increased by £30,260,000 to £30,349,000 (2008: £89,000). This was due to the issue in December 2009 of 19 million new shares at 165p per share in a placing that was approved by shareholders at a General Meeting held on 14 December 2009. The placing has substantially strengthened the Group's balance sheet, increasing the Group's net cash, short-term investments and financial assets to £46,134,000 at the period end (2008: £24,361,000).

People

During the half year, the Group has continued to recruit high calibre experienced personnel in manufacturing, product engineering and supply chain management, with headcount increasing to 98 employees. We anticipate a further increase during the second half of the financial year as output from the Horsham mass manufacturing facility increases and to support the Group's field trial programme.

The Group has also continued to strengthen its senior management team and invest in staff development and training.

I am pleased to announce that the Group will be officially transferring its corporate headquarters from Crawley to Horsham in April, reflecting the shift in the Group's focus to volume manufacturing in preparation for the launch of the natural gas CHP product with British Gas. The Group's Crawley facilities will become the Group's dedicated Technology Centre including the R&D and engineering functions.

Outlook

The Group continues to focus on meeting its milestones in the programme to launch the natural gas CHP product in mainland UK in conjunction with British Gas during the second half of 2011.

The priorities of the business for the next six months will be to achieve the following:

- Obtain 'CE' certification of the mains gas CHP product
- Complete build of CHP units for Beta commercial field trials
- Establish a Ceres Power in-field product support capability
- Commence Beta commercial field trials with British Gas
- Optimise process control and throughputs in the Horsham fuel cell manufacturing plant

I look forward to working with the Ceres team in achieving these challenging objectives and continuing to develop the Group's operational capabilities to build a platform for future growth.

Dr Peter Bance

Chief Executive Officer

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 December 2009

	Note	Six months ended 31 December 2009 (Unaudited) £'000	Six months ended 31 December 2008 (Unaudited) £'000	Year ended 30 June 2009 (Audited) £'000
Revenue		295	482	952
Operating costs	2	(6,403)	(4,760)	(10,734)
Other operating income		104	113	492
Operating loss		(6,004)	(4,165)	(9,290)
Fair value (loss)/gain on gilts		(119)	258	119
Interest receivable		204	605	848
Loss before income tax		(5,919)	(3,302)	(8,323)
Income tax credit		-	-	345
Loss for the financial period / year attributable to shareholders		(5,919)	(3,302)	(7,978)
 Losses per £0.05 ordinary share expressed in pence per share:				
Basic and diluted loss per share	3	(8.62)p	(4.95)p	(11.94)p

The accompanying notes are an integral part of these interim financial statements.

CONSOLIDATED BALANCE SHEET

As at 31 December 2009

		31 December 2009 (Unaudited) £'000	31 December 2008 (Unaudited) £'000	30 June 2009 (Audited) £'000
Note				
Assets				
Non-current assets				
Property, plant and equipment		3,738	2,264	3,243
Other receivables		81	53	81
Total non-current assets		3,819	2,317	3,324
Current assets				
Trade and other receivables		1,454	439	428
Current tax receivable		320	242	320
Short-term investments	6	12,000	-	-
Financial assets at fair value through profit or loss	6	-	10,051	9,803
Cash and cash equivalents	6	34,134	14,310	13,206
Total current assets		47,908	25,042	23,757
Liabilities				
Current liabilities				
Trade and other payables		(3,229)	(1,668)	(3,664)
Derivative financial instruments		(37)	-	(28)
Total current liabilities		(3,266)	(1,668)	(3,692)
Net current assets		44,642	23,374	20,065
Non-current liabilities				
Other payables		(2,333)	(19)	(1,966)
Provisions for other liabilities and charges		(50)	-	(30)
Total non-current liabilities		(2,383)	(19)	(1,996)
Net assets		46,078	25,672	21,393
Equity				
Share capital	4	4,309	3,343	3,344
Share premium account		64,826	35,548	35,551
Other reserve		7,463	7,463	7,463
Profit and loss account (deficit)		(30,520)	(20,682)	(24,965)
Total shareholders' equity		46,078	25,672	21,393

The interim financial statements on pages 9 - 15 were approved by the Board of Directors on 24 March 2010 and were signed on its behalf by:

Dr Peter Bance
Director

Mr Rex Vevers
Director

The accompanying notes are an integral part of these interim financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 31 December 2009

	Share capital (Unaudited) £'000	Share premium account (Unaudited) £'000	Other reserve (Unaudited) £'000	Profit and loss account (deficit) (Unaudited) £'000	Total (Unaudited) £'000
At 1 July 2008	3,337	35,465	7,463	(17,635)	28,630
Issue of shares, net of costs	6	83	-	-	89
Net loss for the period	-	-	-	(3,302)	(3,302)
Share-based payments charge	-	-	-	255	255
At 31 December 2008	<u>3,343</u>	<u>35,548</u>	<u>7,463</u>	<u>(20,682)</u>	<u>25,672</u>
Issue of shares, net of costs	1	3	-	-	4
Net loss for the period	-	-	-	(4,676)	(4,676)
Share-based payments charge	-	-	-	393	393
At 30 June 2009	<u>3,344</u>	<u>35,551</u>	<u>7,463</u>	<u>(24,965)</u>	<u>21,393</u>
Issue of shares, net of costs	965	29,275	-	-	30,240
Net loss for the period	-	-	-	(5,919)	(5,919)
Share-based payments charge	-	-	-	364	364
At 31 December 2009	<u>4,309</u>	<u>64,826</u>	<u>7,463</u>	<u>(30,520)</u>	<u>46,078</u>

The accompanying notes are an integral part of these interim financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31 December 2009

	Note	Six months ended 31 December 2009 (Unaudited) £'000	Six months ended 31 December 2008 (Unaudited) £'000	Year ended 30 June 2009 (Audited) £'000
Cash flows from operating activities				
Cash used in operations	5	(6,260)	(3,578)	(3,900)
Income tax received		-	158	425
Net cash used in operating activities		(6,260)	(3,420)	(3,475)
Cash flows from investing activities				
Purchase of property, plant and equipment		(1,019)	(647)	(2,088)
Purchase of short-term investments		(12,000)	-	-
Redemption / (purchase) of UK Government gilts		9,554	(10,000)	(10,000)
Finance income received		319	812	1,216
Net cash used in investing activities		(3,146)	(9,835)	(10,872)
Cash flows from financing activities				
Proceeds from issuance of ordinary shares		31,556	89	93
Net expenses of shares issued		(1,207)	-	-
Net cash generated from financing activities		30,349	89	93
Net increase / (decrease) in cash and cash equivalents		20,943	(13,166)	(14,254)
Exchange losses on cash and cash equivalents		(15)	-	(16)
		20,928	(13,166)	(14,270)
Cash and cash equivalents at beginning of period		13,206	27,476	27,476
Cash and cash equivalents at end of period		34,134	14,310	13,206
Reconciliation to net funds				
Opening net funds		23,009	27,476	27,476
Net increase / (decrease) in cash and cash equivalents		20,928	(13,166)	(14,270)
Increase in short-term investments		12,000	-	-
Net (decrease) / increase in UK Government gilts		(9,803)	10,051	9,803
Closing net funds (note 6)		46,134	24,361	23,009

The accompanying notes are an integral part of these interim financial statements.

Notes to the interim financial statements for the six months ended 31 December 2009

1. Basis of preparation

The financial information has been prepared in accordance with all IFRS and International Financial Reporting Interpretations Committee (“IFRIC”) interpretations that had been published by 31 December 2009 as endorsed by the European Union (EU). The Standards that will be applicable for the year ending 30 June 2010 are not known with certainty at the time of preparing the interim results. Accordingly, the accounting policies for that accounting period will be determined finally only when the annual financial statements for the year ending 30 June 2010 are prepared.

This interim report, which comprises the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement and the related notes, is unaudited and does not constitute audited accounts within the meaning of the Companies Act 2006. The accounts for the year ended 30 June 2009, on which the auditors gave an unqualified audit opinion, have been filed with the Registrar of Companies.

The accounting policies adopted are consistent with those of the financial statements for the year ended 30 June 2009, as described in those financial statements, except for the adoption of the following accounting standards which have become effective for the year ending 30 June 2010:

- The Group has adopted IAS 1 (Revised), “Presentation of financial statements”. This presentational standard has no impact on the reported results of the Group; and
- The Group has adopted IFRS 8, “Operating Segments”. IFRS 8 defines operating segments as those activities of an entity about which separate financial information is available and which are evaluated by the Chief Operating Decision Maker to assess performance and determine the allocation of resources. The Chief Operating Decision Maker has been identified as the Executive Directors of Ceres Power Holdings plc and Ceres Power Limited. The Directors are of the opinion that under IFRS 8 the Group has only one operating segment, being the development of microgeneration products based on solid oxide fuel cell technology. The Executive Directors of Ceres Power Holdings plc and Ceres Power Limited assess the performance of the operating segment on financial information which is measured and presented in a manner consistent with that in the financial statements.

2. Operating costs

Operating costs are split as follows:

	Six months ended 31 December 2009 (Unaudited) £'000	Six months ended 31 December 2008 (Unaudited) £'000	Year ended 30 June 2009 (Audited) £'000
Research and development costs	4,148	3,196	6,308
Administrative expenses	2,255	1,564	4,426
	<u>6,403</u>	<u>4,760</u>	<u>10,734</u>

Notes to the interim financial statements for the six months ended 31 December 2009

3. Loss per share

	Six months ended 31 December 2009 (Unaudited) £'000	Six months ended 31 December 2008 (Unaudited) £'000	Year ended 30 June 2009 (Audited) £'000
Loss for the financial period / year attributable to shareholders	(5,919)	(3,302)	(7,978)
Weighted average number of shares in issue	68,666,156	66,758,730	66,813,275
Loss per £0.05 ordinary share (basic & diluted)	(8.62)p	(4.95)p	(11.94)p

4. Share capital

Ceres Power Holdings plc had called-up share capital totaling 66,874,075 ordinary shares of £0.05 each at 30 June 2009 as disclosed in the statutory financial statements of Ceres Power Holdings plc for the year ended 30 June 2009.

The Company issued 19,000,000 ordinary shares of £0.05 each, in a placing approved by shareholders on 14 December 2009, for a cash consideration of £31,350,000 (excluding issue costs of £1,316,580). Also 303,539 ordinary shares of £0.05 each were issued on the exercise of employee share options for cash consideration of £206,347 during the six months ended 31 December 2009.

5. Cash used in operations

	Six months ended 31 December 2009 (Unaudited) £'000	Six months ended 31 December 2008 (Unaudited) £'000	Year ended 30 June 2009 (Audited) £'000
Loss before income tax	(5,919)	(3,302)	(8,323)
Adjustments for:			
Fair value loss / (gain) on UK Government gilts	119	(258)	(119)
Other finance income	(204)	(605)	(848)
Depreciation of property, plant and equipment	525	417	879
Share-based payments charge	364	255	648
Operating cash flows before movements in working capital	(5,115)	(3,493)	(7,763)
(Increase) / decrease in trade and other receivables	(1,012)	53	28
(Decrease) / increase in trade and other payables	(153)	(138)	3,818
Increase in provisions	20	-	17
(Increase) / decrease in working capital	(1,145)	(85)	3,863
Cash used in operations	(6,260)	(3,578)	(3,900)

Notes to the interim financial statements for the six months ended 31 December 2009

6. Net cash, short-term investments and financial assets

	31 December 2009 (Unaudited) £'000	31 December 2008 (Unaudited) £'000	30 June 2009 (Audited) £'000
Cash at bank and in hand	796	408	688
Financial institutions - bank deposits < 3 months	3,000	-	3,000
Financial institutions - money market funds	30,338	13,902	9,518
Cash and cash equivalents	34,134	14,310	13,206
UK Government gilts (financial assets at fair value through profit or loss)	-	10,051	9,803
	34,134	24,361	23,009
Financial institutions - short-term bank deposits	12,000	-	-
	46,134	24,361	23,009

The Group invests surplus funds in bank deposits of durations of up to twelve months, pooled money market funds and UK Government gilts of durations of up to twelve months. The Group's treasury policy restricts investments in short-term sterling money market funds to those which carry short-term credit ratings of at least two of AAAm (Standard & Poor's), Aaa/MR1+ (Moody's) and AAA V1+ (Fitch) and deposits with banks having a minimum long-term rating of AA-/AA-/Aa3 and short-term rating of F1+/A-1/P-1.

Independent review report to Ceres Power Holdings plc

Introduction

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 December 2009, which comprises the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement and related notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the AIM Rules for Companies which require that the financial information must be presented and prepared in a form consistent with that which will be adopted in the company's annual financial statements.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with the basis of preparation set out in note 1.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of the AIM Rules for Companies and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 December 2009 is not prepared, in all material respects, in accordance with the basis of preparation set out in note 1 and the AIM Rules for Companies.

PricewaterhouseCoopers LLP

Chartered Accountants

Cambridge

24 March 2010

Notes:

- (a) The maintenance and integrity of the Ceres Power Holdings plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- (b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.