

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you are recommended immediately to seek your own financial advice from your stockbroker, bank manager, solicitor, accountant or other independent adviser authorised under the Financial Services and Markets Act 2000 if you are in the United Kingdom, or, if not, from another appropriately authorised independent financial adviser.

If you have sold or otherwise transferred all of your Ordinary Shares, please forward this document together with the accompanying Form of Proxy as soon as possible to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for delivery to the purchaser or transferee.

This document should be read as a whole. Your attention is drawn to the letter from the Chairman of the Company which is set out on pages 5 and 6 of this document in which the Board recommends that you vote in favour of the Resolution to be proposed at the General Meeting referred to below in order that the Proposal may be effected.

CERES POWER HOLDINGS PLC

(Incorporated in England and Wales under the Companies Act 1985 with Registered No. 5174075)

Proposal to disapply pre-emption rights and to authorise the Directors to allot equity securities in connection with the subscription for Ordinary Shares by GB Gas Holdings Limited

Notice of the General Meeting

It is proposed that application will be made to the London Stock Exchange for the New Shares to be admitted to trading on AIM. Subject to the passing of the Resolution by the Shareholders, it is expected that the New Shares will be admitted to AIM with effect from 7 February 2008 and that, subject to the lock-in provisions contained in the Subscription Agreement, dealings in the New Shares will commence on the same date.

Notice of the General Meeting of the Company to be held at Macfarlanes, 10 Norwich Street, London EC4A 1BD at 10:30 a.m. on 1 February 2008 is set out at the end of this document.

A Form of Proxy for use by all Shareholders at the General Meeting is enclosed. Whether or not you intend to be present at the meeting, it is important that you complete and return the Form of Proxy in accordance with the instructions printed thereon to the Company's registrars, Computershare Investor Services PLC, at The Pavilions, Bridgwater Road, Bristol BS13 8FB as soon as possible but, in any event, so as to arrive no later than 10:30 a.m. on 30 January 2008. If you hold Ordinary Shares in CREST, you may appoint a proxy by completing and transmitting a CREST Proxy Instruction to Computershare Investor Services PLC (CREST participant ID 3RA50), so that it is received by no later than 10:30 a.m. on 30 January 2008. The completion and return of the Form of Proxy will not preclude you from attending the General Meeting and voting in person should you wish to do so.

If you have any questions about this document or the General Meeting, or are in any doubt as to how to complete the Form of Proxy, please call Computershare Investor Services PLC between 8:30 a.m. and 5:30 p.m. Monday to Friday (except UK public holidays) on +44 (0)870 889 4005. Calls will be charged at national or international rates as the case may be. Please note that calls may be monitored or recorded and Computershare Investor Services PLC cannot provide financial advice or advice on the merits of the Proposal.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this document may constitute “forward-looking statements”. Since they relate to future events and circumstances, forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Undue reliance should not be placed on any forward-looking statements. Any forward-looking statements in this document speak only as at the date of this document. Save as required by law or by the AIM Rules of the London Stock Exchange, the Company expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained in this document to reflect any change in the Company’s expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

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Expected Timetable of Principal Events

Latest time and date for receipt of Forms of Proxy	10:30 a.m. on 30 January 2008
General Meeting	10:30 a.m. on 1 February 2008
Completion of Development, Supply and Distribution Agreement and Subscription Agreement	6 February 2008
Allotment of New Shares	6 February 2008
Admission of New Shares	7 February 2008

Definitions

The following definitions apply throughout this document unless the context requires otherwise:

“Act”	Companies Act 1985
“Admission”	admission of the New Shares to trading on AIM
“AIM”	the Alternative Investment Market of the London Stock Exchange
“Appendix”	the appendix to this document describing the Development, Supply and Distribution Agreement and the Subscription Agreement
“Articles”	the articles of association of the Company
“BGS”	British Gas Services Limited, a wholly owned subsidiary of GB Gas
“Board” or “Directors”	the Directors of the Company for the time being whose names are set out on page 5 of this document
“CHP”	Combined Heat and Power
“CHP Product”	mains-fed gas fuel cell combined heat and power device that generates electricity and provides the primary source of space and hot water heating for a residential dwelling
“Company” or “Ceres”	Ceres Power Holdings plc
“Development, Supply and Distribution Agreement”	the development, supply and distribution agreement made between GB Gas, BGS, the Company and Ceres Power Limited dated 12 January 2008
“Form of Proxy”	the form of proxy accompanying this document for use by Shareholders in connection with the General Meeting
“GB Gas”	GB Gas Holdings Limited, a wholly owned subsidiary of Centrica plc
“General Meeting”	the general meeting of the Company convened for 1 February 2008, notice of which is set out at the end of this document, or any reconvened meeting following adjournment thereof
“Group”	in relation to a company, each subsidiary of that company, each holding company of that company and each subsidiary of any such holding company
“London Stock Exchange”	London Stock Exchange plc
“New Shares”	such number of new Ordinary Shares as shall equal 9.999 per cent of the issued share capital of the Company immediately following the allotment of such shares
“Notice of General Meeting”	the notice of the General Meeting set out at the end of this document
“Ordinary Shares”	ordinary shares of 5 pence each in the capital of the Company
“Proposal”	the proposal to disapply pre-emption rights and to authorise the Directors to allot and issue the New Shares to GB Gas and apply for such shares to be admitted to trading on AIM
“Resolution”	the resolution to be proposed at the General Meeting which is set out in the Notice of General Meeting
“Shareholders”	holders of Ordinary Shares
“Subscription Agreement”	the subscription agreement made between Centrica plc, GB Gas and the Company dated 12 January 2008
“UK” or “United Kingdom”	the United Kingdom of Great Britain excluding Northern Ireland

Letter from the Chairman of the Company

Ceres Power Holdings plc

(Incorporated in England and Wales under the Companies Act 1985 with Registered No. 5174075)

Directors:

Brian Count (Non-executive Chairman)
Peter Bance (Chief Executive Officer)
Rex Vevers (Finance Director)
Andrew Baker (Operations Director)
John Gunn (Non-executive Director)

Registered office:

Unit 18, Denvale Trade Park, Haslett Avenue East,
Crawley RH10 1SS, United Kingdom
Email: info@cerespower.com
www.cerespower.com
14 January 2008

To the holders of Ordinary Shares ("**Shareholders**") and, for information only, holders of warrants and holders of options under the Company's share option plan, in each case over Ordinary Shares

Dear Shareholder

Proposal to disapply pre-emption rights and to authorise the Directors to allot equity securities

1 Introduction

Your Board has today announced that the Company and BGS have entered into a strategic alliance for a long-term supply and distribution agreement for CHP Products for installation in residential homes in the United Kingdom. In addition, GB Gas has agreed to subscribe for the New Shares in the Company.

The issue of the New Shares is conditional upon Shareholders passing the resolution of the Company to be proposed at the General Meeting of the Company, which is convened for 10:30 a.m. on 1 February 2008 at Macfarlanes, 10 Norwich Street, London EC4A 1BD, and approving the disapplication of the statutory pre-emption rights in respect of such issue. Further details of this resolution are set out below in section 3 of this letter. The Development, Supply and Distribution Agreement is conditional upon the New Shares being issued to GB Gas prior to 12 March 2008.

Notice of the General Meeting is set out at the end of this document.

2 Background to and reasons for entering into the Development, Supply and Distribution Agreement and the Subscription Agreement

Development, Supply and Distribution Agreement

Since 2005, the Company has been collaborating with BGS to design, build and evaluate a wall-mountable CHP Product for residential applications.

The compact and wall-mountable CHP Product design enables access to residential mass markets in the UK and overseas. The integrated CHP Product is designed to generate electricity and all of the central heating and hot water requirements of a typical home, avoiding the need for a separate boiler. The CHP Product uses the same natural gas, water and electricity connections as a conventional boiler, and is thus designed to be easy to install and so can address both new build and replacement boiler markets.

Following the successful demonstration of an integrated wall-mountable CHP unit in September 2007, the Company is now ready to engage with channel partners to establish volume routes to markets. British Gas Residential is the UK's largest residential energy utility (with 16 million customer accounts) and BGS is one of the largest installers of boilers in the UK with a leading consumer brand. The Development, Supply and Distribution Agreement with BGS establishes a major channel to deliver mass market uptake of the Company's CHP Product in the UK.

A description of the Development, Supply and Distribution Agreement is set out in the Appendix which follows this letter in this document.

Subscription Agreement

The Company has agreed to issue the New Shares to GB Gas and GB Gas has agreed to subscribe for such shares in cash at a price of 300 pence per New Share, which is expected to result in an aggregate subscription of approximately £20 million. The New Shares, when issued, will represent 9.999 per cent of the issued share capital of the Company immediately after such shares are allotted and issued.

A description of the Subscription Agreement is set out in the Appendix which follows this letter in this document.

The Development, Supply and Distribution Agreement with BGS and the subscription for New Shares by GB Gas represent a strategic relationship to develop the mass market opportunities for residential CHP in the UK. The proceeds from the two agreements together with in-kind contributions from BGS (under the Development, Supply and Distribution Agreement) in the form of installation, servicing and logistics, will be used to support the commercial roll-out of the CHP Product in the UK and will also allow the Company to invest in its operational capabilities.

3 Reasons for the proposed Resolution

The Act provides that unless Shareholders otherwise consent, all new Ordinary Shares to be issued for cash must first be offered to existing Shareholders in proportion to their individual holdings of Ordinary Shares. The Resolution therefore, if passed, will (i) authorise the Directors to issue the New Shares and (ii) disapply the aforementioned pre-emption right.

4 General Meeting

Included at the end of this document is the Notice of General Meeting, which is to be held at 10:30 a.m. on 1 February 2008 at Macfarlanes, 10 Norwich Street, London EC4A 1BD. The Resolution will be proposed at the General Meeting and if passed the Directors will be authorised to issue the New Shares and the statutory pre-emption rights contained in section 89(1) of the Act will be disapplied in connection with such issue.

5 Action to be taken

You will find enclosed with this document a Form of Proxy for use in relation to the General Meeting. **Whether or not you intend to be present in person at the General Meeting, you are requested to complete, sign and return the Form of Proxy by post or by hand to, in the case of UK Shareholders, Computershare Investor Services PLC at The Pavilions, Bridgwater Road, Bristol BS13 8FB as soon as possible but in any event so as to arrive by not later than 10:30 a.m. on 30 January 2008.** A pre-paid envelope that can be used by Shareholders for returning Forms of Proxy that are posted in the UK has been enclosed with this document.

The completion and return of a Form of Proxy will not preclude you from attending the General Meeting and voting in person should you so wish.

6 Recommendation

Your Directors consider that the Proposal and the entering into of the Development, Supply and Distribution Agreement and the Subscription Agreement, in each case by the Company, are in the best interests of the Company and its Shareholders taken as a whole and, accordingly, the Directors unanimously recommend that Shareholders vote in favour of the Resolution to be proposed at the General Meeting, as each of them intends to do in respect of his own beneficial holdings of Ordinary Shares.

Yours faithfully

Brian Count
Chairman

Appendix

Development, Supply and Distribution Agreement

The Company entered into the Development, Supply and Distribution Agreement with BGS on 12 January 2008. The Development, Supply and Distribution Agreement is conditional upon the allotment of the New Shares pursuant to the Subscription Agreement prior to 12 March 2008.

Under the terms of this agreement:

- BGS will pay £5 million to the Company in staged milestone payments over an initial phase (“**the Initial Phase**”), with the first payment of £1 million to be made following Ceres Power’s shareholder approval of the Resolution being obtained and the remainder subject to achievement of certain technical milestones. During the Initial Phase, which is expected to be completed in 2011, Ceres will complete the value engineering of the CHP Unit and, together with BGS, conduct commercial in-field trials with residential customers and commence initial sales; and
- BGS will commit its operational resources in order to support the trialling and roll-out of the CHP Products including installation, maintenance, servicing, training, logistics, spares provision, sales and marketing and back-office support; and
- BGS has placed a forward order to purchase, in aggregate, a minimum of 37,500 CHP Products on an escalating basis over a four year period commencing immediately after the Initial Phase, subject to (a) the successful completion of the Initial Phase and (b) agreement between the Company and BGS of commercial terms for the supply of the CHP Products including the pricing of the CHP Products; and
- BGS is granted the exclusive right to distribute CHP Products to the residential market in the UK during the 4 year period of the forward order, subject to purchasing at least the minimum annual order volumes for each year of the forward order; and
- the Company has agreed to supply a further 37,500 CHP Products during the 4 year period of the forward order on the same terms and conditions.

The Company and BGS have also agreed to develop the UK residential CHP market and promote Ceres CHP Products with the intention of achieving substantially greater levels of annual sales over the four year forward order period than referred to above.

The Company will retain all intellectual property rights over its technology. The Company retains the right to supply and distribute the CHP Products everywhere outside of the UK and the right to exploit its innovative fuel cell technology in all other applications in the UK and around the world.

Subscription Agreement

The Company entered into the Subscription Agreement with GB Gas and Centrica plc on 12 January 2008. Under the terms of this agreement, GB Gas has agreed:

- to subscribe for the New Shares at a price of 300 pence per New Share (such shares to equal 9.999 per cent of the issued share capital of the Company immediately following such issue of shares), which is expected to result in an aggregate subscription of approximately £20 million; and
- that from the date on which the New Shares are allotted to it, until the date falling 18 months after such allotment, it will not sell, transfer, charge, pledge or otherwise dispose of (or any interest in) any of the New Shares other than to a member of its Group, save in certain specified circumstances; and
- that from the date on which the New Shares are allotted to it, until the date falling 18 months after such allotment, that it will not (whether alone or in concert with another person) acquire or agree to acquire, any interest in Ordinary Shares, options or other derivative instruments over or in respect of Ordinary Shares (other than any Ordinary Shares offered to it by the Company pursuant to a rights issue by the Company) or seek to influence or control the management or policies of the Company, save in certain specified circumstances.

The completion of the Subscription Agreement is conditional upon the Shareholders passing the Resolution prior to 12 March 2008.

Ceres Power Holdings plc (the “Company”)

NOTICE OF GENERAL MEETING

Notice is hereby given that a general meeting of Ceres Power Holdings plc will be held at Macfarlanes, 10 Norwich Street, London EC4A 1BD at 10:30 a.m. on 1 February 2008 for the purpose of considering and, if thought fit, passing, the following resolution which will be proposed as a special resolution:

AGENDA

Special Resolution

1. THAT, in addition to any existing authority, the Directors be generally and unconditionally authorised pursuant to:
 - a section 80 of the Companies Act 1985 (“**the Act**”) to exercise all the powers of the Company to allot relevant securities (within the meaning of section 80 of the Act) up to an aggregate nominal amount of £366,505; and
 - b section 95 of the Act to allot equity securities (within the meaning of section 94(2) to 94(3A) of the Act) for cash, pursuant to the authority conferred by the preceding sub-paragraph of this Resolution as if section 89(1) of the Act did not apply to such allotment,

provided that such authority shall expire on 17 March 2008, but the Company may prior to such expiry make an offer or agreement which would or might require securities to be allotted after the authority expires and the Directors may allot securities in pursuance of such offer or agreement as if the authority had not expired.

14 January 2008

By Order of the Board

Matthew Stride

Secretary

Registered Office
Unit 18
Denvale Trade Park
Haslett Avenue East
Crawley
RH10 1SS

Notes

- 1 At the date of this notice, the issued share capital of the Company was 60,053,217 ordinary shares of £0.05 each and the total number of voting rights was 60,053,217.
- 2 Only holders of Ordinary Shares are entitled to attend and vote at the General Meeting. A Shareholder entitled to attend and vote at the General Meeting is entitled to appoint another person as his proxy to exercise all or any of his rights to attend and to speak and vote at the General Meeting and at any adjournment of it. Such a Shareholder may appoint more than one proxy in relation to the General Meeting, provided that each proxy is appointed to exercise the rights attached to a different Ordinary Share or Ordinary Shares held by that Shareholder. A Shareholder may only appoint a proxy using the procedures set out in these notes and the notes to the proxy form. A proxy need not be a Shareholder. Completion and return of a form of proxy will not preclude a Shareholder from attending and voting in person at the General Meeting or any adjournment of it.
- 3 A form of proxy is provided with this notice and instructions for use are shown on the form. To be effective, the completed form of proxy must be deposited at the office of the Company's registrars, Computershare Investor Services PLC, the Pavilions, Bridgwater Road, Bristol BS13 8FB, by no later than forty-eight hours before the start of the General Meeting, (or any adjournment of the General Meeting) together with, if appropriate, the power of attorney or other authority (if any) under which it is signed or a notarially certified or office copy of such power of authority.
- 4 A vote withheld option is provided on the form of proxy to enable you to instruct your proxy not to vote on any particular resolution, however, it should be noted that a vote withheld in this way is not a 'vote' in law and will not be counted in the calculation of the proportion of the votes 'For' and 'Against' a resolution.
- 5 In the case of joint registered holders, the signature of one holder will be accepted and the vote of the senior holder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority will be determined by the order in which the names stand on the register of members of the Company in respect of the relevant joint holding.
- 6 The Company pursuant to Regulation 41 of the Uncertified Securities Regulations 2001 specifies that only those shareholders registered on the register of members of the Company as of 10:30 a.m. on 30 January 2008 or, in the event that the General Meeting is adjourned, on the register of members forty-eight hours before the time of the adjourned General Meeting, shall be entitled to attend or vote in respect of the shareholding registered in their name at the relevant time. Changes to entries on the register of the shareholders after 10:30 a.m. on 30 January 2008, or in the event that the General Meeting is adjourned, less than forty-eight hours before the time of the adjourned General Meeting, shall be disregarded in determining the rights of any person to attend or vote at the General Meeting.
- 7 CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the purpose of the General Meeting and any adjournment(s) of the General Meeting by using the procedures described in the CREST manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. Please note the following:
 - (a) In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "**CREST Proxy Instruction**") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's ("**EUI**") specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or to an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID 3RA50) by the latest time(s) for receipt of proxy appointments specified in this Notice of General Meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST applications host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
 - (b) CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and where applicable, their CREST sponsors or voting service providers are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
 - (c) The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in regulation 35(5)(a) of the Uncertified Securities Regulations 2001.

