

30 March 2011

Ceres Power Holdings plc

Interim results for the six months ended 31 December 2010

Ceres Power Holdings plc (“Ceres”, “Ceres Power” or “the Group”) announces its interim results for the six months ended 31 December 2010.

Highlights:

- Secured CE safety approval for CHP product in-home consumer field trials
- Successful live demonstration of CHP product delivering flexible power on demand
- Improved fuel cell module heat-to-power ratio
- Net cash and short-term investments of £34.2m

Financial Highlights:

	Six months ended 31 December 2010 (Unaudited) £'000	Six months ended 31 December 2009 (Unaudited) £'000
Revenue	395	295
Other operating income	98	104
Operating loss	(7,403)	(6,004)
Interest receivable	297	204
Loss for the financial period	(5,932)	(5,919)
Loss per share	(6.88)p	(8.62)p
Net cash and short-term investments	34,217	46,134

Initial Feedback from Consumer Field Trials

On 1 February 2011, the Group announced the first installation under in-home consumer field trials. Over the course of the last eight weeks a further four units have been successfully installed.

The purpose of this initial wave of field trials was to gain valuable real-world experience and to identify any early issues ahead of deploying the next wave of field trial units later this year.

These CHP products, installed and operated in family homes across South East England, have replaced the existing conventional boilers and are fully integrated with the home's existing energy infrastructure including gas, heating, hot water and electricity.

The initial results from the field trials confirm that the CHP product delivers the core functionality of central heating, hot water and power. The product controls itself automatically, responding in real-time using a combination of the unit's fuel cell module and boiler function. Results have also shown the ability of the units to deliver significant product 'up-time' without loss of home comfort, with one unit exceeding 94% availability.

The trials have also highlighted some reliability and durability issues which are being addressed. These include: boiler tuning/calibration, water management, operating strategy and ingress of debris into the fuel cell module. Further details are included in the Residential CHP Product Programme section of the Chief Executive Officer's statement.

We are continuing to run these CHP products in the field to gather further valuable information relating to operation in real home environments. In parallel we are working to address the CHP product reliability and durability issues identified in the first wave of field trials prior to commencing the next wave of field trials.

Brian Count, Chairman, commented:

“Since successfully demonstrating a Ceres Power CHP product generating on-demand heat and power in September, the Group has moved forward with the beta testing phase, securing CE approval and installing and operating CHP units in consumers’ homes. We are pleased with the continued improvements made to the product’s performance over the past six months. System reliability and durability challenges require further work and are being addressed. We remain confident in the potential for the group’s CHP product in the UK and entry into international markets in the future.”

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Chairman's Statement

Business overview

During this first half year the key achievements of the Group have been:

- Live demonstration of the Group's natural gas wall-mounted Combined Heat and Power (CHP) product;
- CE safety certification of Ceres CHP product secured enabling in-home consumer trials; and
- Five CHP products installed and operated in occupied consumers' homes.

The CHP product demonstration in September 2010 confirmed the Group's ability to engineer its technology into a compact, wall-mounted CHP domestic appliance that can operate in peoples' homes. The successful demonstration highlighted the product's key differentiating features, in particular, the ability automatically to produce appropriate levels of power in response to rapidly changing demand.

Having secured the required CE certification, the commencement of the first wave of field trials of CHP products in people's homes in January marked a very important transition into real-world environments. The initial results from these trial units have provided real-world evidence of the product's ability to deliver homes' heat and power requirements. However, initial data has also identified challenges relating to product reliability and durability. The Group is now focusing on addressing these challenges in advance of deploying the second wave of field trials and ahead of initial sales.

Our strategy remains to deliver a mass market residential CHP product for customers in the UK as well as developing growth opportunities in markets internationally to help build shareholder value. Further work including field trial and internal testing will continue over the next 6 months and will inform the expected timing for the next wave of field trials and the programme to initial sales.

Low carbon despatchable power

It is now increasingly recognised that to achieve the UK's emissions reductions targets requires the mass deployment of a range of renewable and low-carbon technologies. The energy debate has been focused on energy production, but now the demand side (how energy is used) is being given more importance. Distributed generation, and in particular flexible despatchable microgeneration, such as from Ceres Power's gas-fed residential CHP product, will be needed both to increase overall energy efficiency at the residential level and also to improve security of supply given the inflexible characteristics of renewable and nuclear power that is planned to provide a significant proportion of wholesale electricity generation in the years to come.

Renewed support for cost-effective microgeneration solutions

Following the implementation of the Feed-in Tariff (FIT) for residential microgeneration in the UK in April 2010, the UK Government has confirmed that the scheme is intended to accelerate the early uptake of cost-effective low carbon technologies. Ceres Power's CHP product has the potential to be one of the lowest cost ways to reduce carbon in the existing housing stock, which accounts for 27% of the country's total carbon emissions and is one of the most difficult sectors to address. We welcome the review of the FIT that was announced by the UK Government's Department of Energy and Climate Change (DECC) in February 2011; the objective of which is to re-align the FIT to stimulate the uptake of the most cost-effective technologies. The outcome of the review is expected to take effect in April 2012 and we look forward to working with DECC and demonstrating the sustainable benefits of our technology for both the retrofit and new build housing sectors. The nature of initial support for low carbon technologies, together with feedback from early adopter target customers, will help inform our approach with British Gas to progress from initial sales into volume deployment.

We are also working with the Government as part of the consultation on the Country's Microgeneration Strategy to identify ways in which mass deployment of microgeneration can help address the challenges of energy efficiency, fuel poverty and energy security whilst stimulating the growth of a vibrant UK-based CleanTech sector creating large numbers of green collar jobs.

People

I would again like to thank our employees who have shown outstanding commitment and enabled the key achievements during this half year. We continue to build a team of dedicated and talented people who have demonstrated their determination to realise the goal of deploying Ceres CHP products in volume across the UK and new markets internationally.

Brian Count

Chairman

Chief Executive Officer's Statement

Business Review

During the last six months Ceres Power has continued to make progress with the beta testing phase of our CHP product for the UK market. Following the successful public demonstration and the receipt of CE approval, we have now started field trials of our wall-mounted CHP product in occupied family homes. We are pleased that in this first test of our products in a real-world environment, the units were successfully installed; replacing existing boilers and delivering heat and power to meet homes' requirements. Initial data from the trials has also identified some reliability and durability challenges which are in the process of being addressed.

Residential CHP Product Programme

During our live product demonstration in September 2010, the CHP unit's ability to deliver heat for hot water and central heating needs and electricity on demand for a range of domestic appliances was shown with the product integrated into a representative home environment. In addition to these core design functions, the unique ability of the product to respond automatically and rapidly to real-time changing energy needs in the home was also demonstrated. This rapid electricity load-following capability is a feature of our lightweight, metal-supported, low temperature solid oxide fuel cell technology and is a major differentiator. Our partner Centrica has confirmed that this load-following capability will have increasing commercial value as the CHP product is deployed in volume and contributes to the future demands of the electricity network. Not only does this enable access to the broadest range of households as target customers, but the ability to increase or decrease power output on-demand will be of significant value to utilities and network operators in the future as the electricity network demands flexible, controllable low carbon generation.

In December 2010, the Group received CE safety approval for its CHP product from Kiwa Gastec, the leading fuel cell and residential CHP certification regulatory body. Receipt of this critical approval is an important achievement and has allowed Ceres Power's CHP product to be installed and operated in occupied consumer homes as part of the first phase of the field trials programme.

Following the receipt of the official CE safety certificate, the Group has completed the installation of the first wave of field trial units during early 2011. This represents another significant step forward for Ceres. The purpose of this initial wave of field trials was to gain valuable real-world experience and to identify any early issues ahead of the larger number of field trial products to be deployed in preparation for initial sales.

The first five field trial units installed and operated in family homes across South East England have demonstrated the product's ability to integrate into the home's existing energy infrastructure including gas, heating and electricity. These compact wall-mounted CHP products have directly replaced conventional gas boilers and are installed in the same space in the home. The initial trials are being conducted together with British Gas to help learn how the units are installed, serviced and maintained in the field.

The initial results from the field trial units confirm that the CHP products can deliver the core functionality of central heating, hot water and power in a range of occupied family homes. The CHP product controls itself automatically, responding in real time using a combination of the unit's fuel cell module and boiler function. Results have also shown the ability of the units to deliver significant product 'up-time' without loss of home comfort.

The trials have also highlighted some system reliability issues associated with boiler tuning/calibration and water management within the CHP system. The boiler issues are being addressed in the field and we are working in partnership with our suppliers to validate any changes necessary in the next design iteration for the second wave of field trials. The CHP water management issue was causing a controlled shut down of the fuel cell module, and has been addressed with an interim solution. The permanent engineered solution is likely to involve both minor hardware modifications and optimisation of the product's operating strategy.

The durability of the fuel cell modules within the CHP field trial units has not matched fuel cell module test stand results previously achieved. While further analysis is required, initial indications are that this could be due to the following issues. Firstly, the operating strategy we have selected for this first wave of in-home trials has not yet been optimised and causes the units to enter regions of the operating spectrum which are detrimental to the fuel cell module. This is currently being addressed through improvements in sensor and flow control to enable the tuning of the operational strategy. Secondly, there are indications of ingress of debris onto the cathode through the unit's air intake. This issue is being addressed through improved control of the build and installation process and isolation of the intake. We believe that these issues can be addressed within the next six months.

Since the CHP product demonstration in September 2010, we have focused on improving the power and efficiency of the cells. We have achieved a reduction in the heat-to-power ratio of the fuel cell stack (from 1.27:1 to 1.1:1) through a reduction of electronic leakage at cell level by optimisation of fuel cell manufacturing process conditions.

We have also demonstrated fuel cell module electrical efficiencies of up to 47%. However, these efficiency improvements may have resulted in a reduction in durability, and we are now exploring the nature of the stack performance/durability trade-offs involved to inform the optimised solution going forward. The emphasis of this work is on improving corrosion-resistant stack interconnect coatings which have a significant effect on degradation/performance. We are working with our supply chain partners to develop and test modified interconnect designs and coatings. Other improvements in thermal management and systems integration are expected to deliver further gains in the heat-to-power ratio which in turn will enable reduced parasitic electrical loads (e.g. air blower) and thereby increase the electrical efficiency of the CHP unit. In addition, we are exploring ways to expand the operating envelope of the cells by strengthening the cell layer bonds with changes in cell manufacturing processes. We believe that the current programme of work underway in both these areas will enable progress to be made towards achieving the appropriate performance/durability envelope.

We are continuing to run these initial CHP products in the field to gather further valuable information relating to operation in real home environments. We remain confident that our product will be an attractive consumer proposition but the issues we have identified mean that there is now an increased level of risk in our go-to-market programme.

Operations and Manufacturing

The current field trials are being conducted using CHP products with the fuel cell modules manufactured in the Horsham factory and CHP boiler assemblies supplied from Daalderop's boiler assembly plant in Holland.

Internally, the key operational focus of the past 6 months has been the establishment of repeatable production processes and the necessary business systems to support volume operations. In parallel, a transition plan towards full compliance with a range of quality management and HSE standards has been initiated, including ISO 9001 & 18001.

The Group has continued to recruit experienced personnel across the business focusing on critical technical areas such as controls and electronics, systems engineering and establishing an in-field capability to support CHP products being deployed in consumers' homes by our partners' service organisations.

Commercial

In last year's Annual Report we noted that the Group was beginning to explore longer term opportunities for Ceres' CHP products in other international markets in conjunction with potential channel partners and in markets where the unique features of the Group's technology, like its rapidly despatchable energy output and the compact wall-mounted product format, could deliver substantial value to both households and energy companies.

Our primary focus remains on completing the current field trial programme with British Gas and then growing sales in the UK market. Nevertheless, with the significant progress achieved over the last half year, we are starting to explore new opportunities that could deliver significant value in conjunction with strong go-to-market channel partners internationally.

In preparation for the deployment of our products in volume, we are progressing a number of inter-connected activities relating to the creation of an attractive consumer-facing and utility-facing product proposition. During this year and next year's trials, we are working with British Gas' engineering training academies to ensure the installation, service and maintenance of our product is well understood and documented. We are also collaborating with their in-field representatives to begin to raise awareness of our offering, establish how best to market it (including product naming) and to start identifying potential early adopter customers.

We are working closely with British Gas' New Energy team to ensure that the way the CHP product is integrated with other technologies (including smart meters, home area networks, and on-line home energy services) is optimised to exploit the potential benefits of the 'smart home' and the 'smart grid' from the perspectives of both the household and the utility company.

Financial

Commercial revenue for the period increased by 34% to £0.4 million (2010: £0.3m) reflecting the progress made on the natural gas CHP programme with British Gas and the Group's accounting policy of recognising up-front milestone payments from development contracts as revenue when earned, based on costs incurred over the Beta and Gamma phases. Deferred income from commercial customers, representing income to be recognised as revenue in future accounting periods and recorded on the balance sheet was £2.8 million (2010: £3.6 million). Other operating income arising from government grants was £0.1 million (2010: £0.1 million).

Operating costs for the period increased as planned by 23% to £7.9 million (2010: £6.4 million). This increase arose from the annualised effect of the increased headcount already in place at the beginning of the financial period, costs of developing and procuring components and building and testing CHP units for the Beta phase of the programme with British Gas.

Interest receivable was £0.3 million (2010: £0.2 million) reflecting the higher average cash balance. During the period the Group recorded an income tax credit of £1.2 million (2010: £nil) representing the estimated R&D tax credit due in respect of 2011 of £0.3 million plus an adjustment of £0.9 million received in respect of 2010.

The loss for the period attributable to shareholders was £5.9 million (2010: £5.9 million) reflecting the increase in operating costs offset by the income tax credit. The loss per ordinary share fell by 20% to 6.88 pence (2010: 8.62 pence) primarily as a result of the increase in the average number of shares in issue during the period, following the share placing in December 2009.

Net cash used in operating activities decreased to £6.1 million (2010: £6.3 million) due to an income tax receipt of £1.5 million more than offsetting an increase in cash used in operations of £1.3 million. Cash outflow attributable to the purchase of property, plant and equipment (net of £0.6 million grants received) was £0.9 million (2010: £1 million) relating to the construction of test infrastructure and the purchase and installation of fuel cell manufacturing equipment. The resultant total equity-free cash outflow for the half year was lower at £6.7 million (2010: £7.0 million).

The Board continues to review the funding requirements of the business to commercialise the technology. At the period end, the Group held £34.2 million (2010: £46.1 million) in net cash and short-term investments.

Outlook

The Group's priorities for the next six months are to continue with the current field trials and testing programmes in order to address the product reliability and durability issues in advance of the second wave of field trials being deployed. We are focused on resolving these issues and we will report in September on the results from this work and the programme for further field trials and initial sales.

Peter Bance**Chief Executive Officer**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 December 2010

	Note	Six months ended 31 December 2010 (Unaudited) £'000	Six months ended 31 December 2009 (Unaudited) £'000	Year ended 30 June 2010 (Audited) £'000
Revenue		395	295	786
Operating costs	2	(7,896)	(6,403)	(14,543)
Other operating income		98	104	570
Operating loss		(7,403)	(6,004)	(13,187)
Fair value loss on gilts		-	(119)	(119)
Interest receivable		297	204	490
Loss before income tax		(7,106)	(5,919)	(12,816)
Income tax credit		1,174	-	1,093
Loss for the financial period / year and total comprehensive loss		<u>(5,932)</u>	<u>(5,919)</u>	<u>(11,723)</u>
Losses per £0.05 ordinary share expressed in pence per share:				
Basic and diluted loss per share	3	(6.88)p	(8.62)p	(15.16)p

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

CONSOLIDATED BALANCE SHEET

As at 31 December 2010

	Note	31 December 2010 (Unaudited) £'000	31 December 2009 (Unaudited) £'000	30 June 2010 (Audited) £'000
Assets				
Non-current assets				
Property, plant and equipment		4,373	3,738	4,381
Other receivables		81	81	81
Total non-current assets		4,454	3,819	4,462
Current assets				
Trade and other receivables		1,138	1,454	1,045
Derivative financial instruments		56	-	27
Current tax receivable		340	320	620
Short-term investments	6	10,000	12,000	25,000
Cash and cash equivalents	6	24,217	34,134	15,900
Total current assets		35,751	47,908	42,592
Liabilities				
Current liabilities				
Trade and other payables		(3,159)	(3,229)	(4,172)
Derivative financial instruments		-	(37)	-
Total current liabilities		(3,159)	(3,266)	(4,172)
Net current assets		32,592	44,642	38,420
Non-current liabilities				
Other payables		(1,883)	(2,333)	(2,158)
Provisions for other liabilities and charges		(165)	(50)	(107)
Total non-current liabilities		(2,048)	(2,383)	(2,265)
Net assets		34,998	46,078	40,617
Equity				
Share capital	4	4,309	4,309	4,309
Share premium account		64,821	64,826	64,821
Other reserve		7,463	7,463	7,463
Profit and loss account (deficit)		(41,595)	(30,520)	(35,976)
Total equity		34,998	46,078	40,617

The interim financial statements on pages 11 to 17 were approved by the Board of Directors on 29 March 2011 and were signed on its behalf by:

Peter Bance
Director

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 2010

	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 2009	3,344	35,551	7,463	(24,965)	21,393
Comprehensive income					
Loss for the period	-	-	-	(5,919)	(5,919)
Total comprehensive income	-	-	-	(5,919)	(5,919)
Transactions with owners					
Issue of shares, net of costs	965	29,275	-	-	30,240
Share-based payments charge	-	-	-	364	364
Total transactions with owners	965	29,275	-	364	30,604
At 31 December 2009	4,309	64,826	7,463	(30,520)	46,078
Comprehensive income					
Loss for the period	-	-	-	(5,804)	(5,804)
Total comprehensive income	-	-	-	(5,804)	(5,804)
Transactions with owners					
Issue of shares, net of costs	-	(5)	-	-	(5)
Share-based payments charge	-	-	-	348	348
Total transactions with owners	-	(5)	-	348	343
At 30 June 2010	4,309	64,821	7,463	(35,976)	40,617
Comprehensive income					
Loss for the period	-	-	-	(5,932)	(5,932)
Total comprehensive income	-	-	-	(5,932)	(5,932)
Transactions with owners					
Share-based payments charge	-	-	-	313	313
Total transactions with owners	-	-	-	313	313
At 31 December 2010	4,309	64,821	7,463	(41,595)	34,998

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

CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31 December 2010

	Note	Six months ended 31 December 2010 (Unaudited) £'000	Six months ended 31 December 2009 (Unaudited) £'000	Year ended 30 June 2010 (Audited) £'000
Cash flows from operating activities				
Cash used in operations	5	(7,529)	(6,260)	(10,820)
Income tax received		1,454	-	793
Net cash used in operating activities		(6,075)	(6,260)	(10,027)
Cash flows from investing activities				
Purchase of property, plant and equipment		(1,444)	(1,019)	(2,814)
Capital grant contributions to property, plant and equipment		573	-	252
Movement in short-term investments		15,000	(12,000)	(25,000)
Redemption of financial assets at fair value through profit or loss		-	9,553	9,553
Finance income received		275	320	454
Net cash generated from/(used in) investing activities		14,404	(3,146)	(17,555)
Cash flows from financing activities				
Proceeds from issuance of ordinary shares		-	31,556	31,556
Net expenses of shares issued		-	(1,207)	(1,321)
Net cash generated from financing activities		-	30,349	30,235
Net increase in cash and cash equivalents		8,329	20,943	2,653
Exchange (losses)/gains on cash and cash equivalents		(12)	(15)	41
		8,317	20,928	2,694
Cash and cash equivalents at beginning of period		15,900	13,206	13,206
Cash and cash equivalents at end of period		24,217	34,134	15,900
Reconciliation to net funds				
Opening net funds		40,900	23,009	23,009
Net increase in cash and cash equivalents		8,317	20,928	2,694
(Decrease)/increase in short-term investments		(15,000)	12,000	25,000
Net decrease in financial assets at fair value through profit or loss		-	(9,803)	(9,803)
Closing net funds (note 6)		34,217	46,134	40,900

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 2010

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 2010 as endorsed by the European Union (EU). The Standards that will be applicable for the year ending 30 June 2011 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 2011 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 2010, 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 2010, as described in those financial statements. As at the date of signing the interim financial statements, there are no new Standards likely to affect the financial statements for the year ending 30 June 2011.

2. Operating costs

Operating costs are split as follows:

	Six months ended 31 December 2010 (Unaudited) £'000	Six months ended 31 December 2009 (Unaudited) £'000	Year ended 30 June 2010 (Audited) £'000
Research and development costs	5,428	4,148	9,907
Administrative expenses	2,468	2,255	4,636
	<u>7,896</u>	<u>6,403</u>	<u>14,543</u>

3. Loss per share

	Six months ended 31 December 2010 (Unaudited) £'000	Six months ended 31 December 2009 (Unaudited) £'000	Year ended 30 June 2010 (Audited) £'000
Loss for the financial period / year attributable to shareholders	<u>(5,932)</u>	<u>(5,919)</u>	<u>(11,723)</u>
Weighted average number of shares in issue	<u>86,177,614</u>	<u>68,666,156</u>	<u>77,349,920</u>
Loss per £0.05 ordinary share (basic & diluted)	<u>(6.88)p</u>	<u>(8.62)p</u>	<u>(15.16)p</u>

Notes to the interim financial statements for the six months ended 31 December 2010

4. Share capital

Ceres Power Holdings plc had called-up share capital totaling 86,177,614 ordinary shares of £0.05 each at 30 June 2010 as disclosed in the statutory financial statements of Ceres Power Holdings plc for the year ended 30 June 2010.

There was no movement in share capital during the six months ended 31 December 2010.

5. Cash used in operations

	Six months ended 31 December 2010 (Unaudited) £'000	Six months ended 31 December 2009 (Unaudited) £'000	Year ended 30 June 2010 (Audited) £'000
Loss before income tax	(7,106)	(5,919)	(12,816)
Adjustments for:			
Fair value loss on gilts	-	119	119
Other finance income	(297)	(204)	(490)
Depreciation of property, plant and equipment	620	525	1,115
Share-based payments charge	313	364	712
Operating cash flows before movements in working capital	(6,470)	(5,115)	(11,360)
Increase in trade and other receivables	(45)	(1,012)	(477)
(Decrease) / increase in trade and other payables	(1,072)	(153)	940
Increase in provisions	58	20	77
(Increase) / decrease in working capital	(1,059)	(1,145)	540
Cash used in operations	(7,529)	(6,260)	(10,820)

Notes to the interim financial statements for the six months ended 31 December 2010

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

	31 December 2010 (Unaudited) £'000	31 December 2009 (Unaudited) £'000	30 June 2010 (Audited) £'000
Cash at bank and in hand	578	796	1,033
Short-term bank deposits < 3 months	17,816	3,000	9,041
Money market funds	5,823	30,338	5,826
Cash and cash equivalents	24,217	34,134	15,900
Short-term investments (bank deposits > 3 months)	10,000	12,000	25,000
	34,217	46,134	40,900

The Group typically places surplus funds into pooled money market funds, bank deposits with durations of up to twelve months and UK Government gilts with 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 for banks which the UK Government holds less than 25% ordinary equity.

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 2010, which comprise 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 2010 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

Gatwick

29 March 2011

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.