

Ceres Power Holdings plc

(the 'Company')

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Ceres Power Holdings plc for the year 2007/8 will be held at Taylor Wessing LLP, 5 New Street Square, London EC4A 3TW on Friday, 5 December 2008 at 10.30 am for the following purposes:

AGENDA

Ordinary business

1. To receive and consider the accounts of the Company for the financial year ended 30 June 2008, together with the reports of the Directors of the Company (the 'Board') and auditors of the Company on those accounts.
2. To re-appoint PricewaterhouseCoopers LLP as auditors of the Company, to hold office until the conclusion of the next Annual General Meeting and to authorise the Board, through the Audit Committee, to fix their remuneration.
3. To re-elect Sir David Brown as a Director of the Company.
4. To re-elect Alan Wood as a Director of the Company.
5. To re-elect Rex Vevers, who is retiring by rotation, as a Director of the Company.
6. That in substitution for any existing authority:
 - (a) in accordance with section 80 of the Companies Act 1985 (the 'Act') the Directors be and are hereby generally and unconditionally authorised to exercise all powers of the Company to allot relevant securities within the terms of the following restrictions and provisions, namely:
 - (i) this authority shall (unless previously renewed, varied or revoked by the Company in general meeting) expire on the earlier of the conclusion of the next Annual General Meeting of the Company following the passing of this resolution and the date 15 months after the date of passing of such resolution; and
 - (ii) this authority shall be limited to the allotment of relevant securities up to an aggregate nominal amount of £1,112,648; and
 - (b) for the purpose of sub-paragraph (a) above:
 - (i) the said power shall allow and enable the Directors to make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such an offer or agreement as if the power conferred hereby had not expired; and
 - (ii) words and expressions defined in or for the purpose of Part IV of the Act shall bear the same meaning herein.
7. To approve the performance-related pay arrangements including the CHP Project Bonus Plan referred to in the Chairman of the Board's letter to shareholders dated 5 November 2008 in Appendices 1 and 2 and produced in draft to this meeting and, for the purposes of identification, initialled by the Chairman, and to authorise the Board to make such modifications to the performance-related pay arrangements as it may consider appropriate to take account of the requirements of best practice and for the implementation of the performance-related pay arrangements and to adopt the performance-related pay arrangements as so modified and to do all such other acts and things as it may consider appropriate to implement the performance-related pay arrangements.
8. To approve the proposed amendments to the Ceres Power Holdings Limited 2004 Employees' Share Option Scheme (the '2004 Scheme') referred to in the Chairman of the Board's letter to shareholders dated 5 November 2008 in Appendix 3 and produced in draft to this meeting and, for the purposes of identification, initialled by the Chairman, and to authorise the Board to adopt these amendments to the 2004 Scheme and to do all acts and things as it may consider appropriate to implement the proposed amendments to the 2004 Scheme for the purposes of implementing the performance-related pay arrangements referred to in resolution 7 above.

Special business

9. That:
 - (a) conditionally upon the passing of resolution 6 above and in accordance with section 95 of the Act, the Directors be and are hereby given power to allot equity securities (as defined in section 94 of the Act) for cash pursuant to the authority conferred by resolution 6 above as if sub-section (1) of section 89 of the Act did not apply to any such allotment provided that:

- (i) the power hereby granted shall be limited:
 - (A) to the allotment of equity securities in connection with or pursuant to an offer by way of rights to the holders of shares in the Company and other persons entitled to participate therein, in the proportion (as nearly as may be) to such holders' holdings of such shares (or, as appropriate, to the number of shares which such other persons are for these purposes deemed to hold) subject only to such exclusions or other arrangements as the Directors may feel necessary or expedient to deal with fractional entitlements or the regulations or requirements of any recognised regulatory body in any territory;
 - (B) to the grant of options to subscribe for shares in the Company and the allotment of such shares pursuant to the exercise of options granted, under the terms of any share option scheme adopted or operated by the Company including the CHP Project Bonus Plan;
 - (C) to the issue of warrants to subscribe for shares in the Company and the allotment of shares pursuant to the warrants issued, on the terms of those warrants; and
 - (D) to the allotment of equity securities, otherwise than pursuant to sub-paragraphs (A), (B) and (C) above, up to an aggregate nominal amount of £166,897;
 - (ii) the power hereby granted shall (unless previously renewed, varied or revoked by the Company in general meeting) expire on the earlier of the conclusion of the next Annual General Meeting of the Company following the passing of this resolution and the date 15 months after the passing of such resolution;
- (b)
- (i) the said power shall allow and enable the Directors to make an offer or agreement before the expiry of the said power which would or might require equity securities to be allotted pursuant to such offer or agreement after such expiry as if the power conferred herein had not expired. This power applies in relation to a sale of shares which is an allotment of equity securities by virtue of section 94(3A) of the Act as if in the first paragraph of this resolution the words 'That, conditionally upon the passing of resolution 6 above,' were omitted; and
 - (ii) words and expressions defined in or for the purpose of Part IV of the Act shall bear the same meaning herein.

Dated: 5 November 2008

Registered office:
 Unit 18,
 Denvale Trade Park,
 Haslett Avenue East,
 Crawley RH10 1SS

By order of the Board

Company Secretary

Notes

1. Only holders of Ordinary Shares are entitled to attend and vote at this Meeting. A member entitled to attend and vote at the 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 meeting and at any adjournment of it. Such a member may appoint more than one proxy in relation to the Meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A proxy need not be a member of the Company.
2. A form of proxy is enclosed. A member may only appoint a proxy using the procedures set out in these notes and the notes to the proxy form. The appointment of a proxy will not prevent a shareholder from subsequently attending and voting at the Meeting in person.
3. To be valid, a form of proxy, duly completed, signed or sealed (as appropriate) and dated, together with any power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, must be returned to the Company's Registrars, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS99 7NH, so as to arrive no later than 10.30 am on 3 December 2008 or not less than 48 hours before the time of any adjourned meeting or the taking of a poll at which the person named in the form of proxy proposes to vote.
4. The form of proxy must be executed by the shareholder or his or her attorney duly authorised in writing and (in the case of an individual) must be signed by the individual or his or her attorney duly authorised in writing or (in the case of a corporation) either executed under its common seal or signed on its behalf by a duly authorised officer or attorney of the corporation.
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 shareholders 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 shareholders of the Company as of 10.30 am on 3 December 2008 or, in the event of the Annual General Meeting is adjourned, on the register of shareholders by 10.30 am 48 hours before the time of the adjourned Meeting(s), shall be entitled to attend or vote in respect of the shareholding registered in the name at the relevant time. Changes to entries on the register of the shareholders after 10.30 am on 3 December 2008, or in the event that the Annual General Meeting is adjourned, less than 48 hours before the time of any adjourned Meeting(s), shall be disregarded in determining the rights of any person to attend or vote at the Annual General Meeting.

Appendix 1

PERFORMANCE-RELATED PAY

To date, performance-related pay for the Executive Directors has consisted of annual cash bonuses paid at the discretion of the Remuneration Committee of the Board of Directors of the Company (the 'Committee') and periodic grants of market value share options with associated performance conditions at the discretion of the Remuneration Committee.

The Committee is aware that this existing arrangement does not provide executives with a particularly clear 'line-of-sight' between performance and reward and is not consistent with corporate governance best practice due to the absence of measurable performance conditions on the options. Accordingly, the Committee, assisted by Hewitt New Bridge Street ('HNBS'), has developed new incentive arrangements that it is intended will apply from the 2008/09 Financial Year onwards.

Rather than the traditional listed company combination of: i) an annual bonus (where performance is measured over one year); and ii) annual grants of long-term share awards (where performance is typically measured over three years), the proposed incentive structure for the period until the end of the 2010/11 Financial Year is designed to more closely match the Company's strategy through the following two medium-term incentive arrangements:

- A **CHP Project Bonus Plan** triggered by achievement of milestones linked to the CHP Project – paid in cash and deferred shares;
- A **'one-off' award of share options** under the existing 2004 Employees' Share Option Scheme (the '2004 Scheme') with exercise subject to: i) continued employment; and ii) achievement of pre-set absolute share price targets.

The Committee would expect to transition to the more traditional combination of an annual bonus and a long-term incentive plan from 2011/12.

The principal logic underlying the proposed arrangement is summarised below:

Aim of structure

- To support the remuneration policy by providing a retentive/attractive element to the remuneration package to offset below market fixed pay levels; and
- To reward senior executives for successful delivery of key strategic and commercial goals and the growth of the Company.

Basis of Reward

- All performance linked;
- Achievement of CHP milestones to be directly rewarded; and
- Alignment of interests between executives and shareholders to be achieved through use of share price targets.

Form of reward

- Mixture of cash, deferred shares and share options; and
- Aim is to enhance executives' cash compensation potential whilst also providing adequate 'lock-in' via deferred share awards and an appropriate level of risk/reward through options.

Further details of the two proposed incentive schemes are outlined below;

i) CHP Project Bonus Plan

This proposed arrangement, for which shareholder approval will be sought at the AGM, would operate in place of any alternative annual bonus arrangement for the three Financial Years 2008/09, 2009/10 and 2010/11.

Under this plan, selected senior executives and staff would be eligible to receive bonuses at the successful completion of each of the Alpha, Beta and Gamma Phases of the CHP Project. The proportion of the maximum bonus to be paid at each stage would be determined at the discretion of the Committee based on its assessment of the quality of the delivery of that Phase taking into account a number of pre-determined quantitative and qualitative measures consistent with published forecasts.

The maximum potential payment at the end of each phase would be 100% of annual salary for Dr Peter Bance, and no other participant would be eligible to receive more than 75% of their salary at the end of each phase.

Half of any payment would be made immediately in cash with the other half invested in Company shares (in the form of par value options) until the end of the 2011/12 Financial Year. These shares would be forfeitable by an executive leaving the Company prior to that date other than for specified 'good leaver' reasons.

Shareholder approval will be sought for the introduction of this arrangement at the AGM.

ii) 'One-off' grant of share options

The Committee feels that, with the Company in a key transitional state, it would be more appropriate to grant a 'one-off' award of share options under the 2004 Scheme following the AGM in December 2008 rather than granting regular annual awards over the next few years. It is, therefore, intended that the next award of long-term share awards would not be granted to current senior executives until the 2011/12 Financial Year.

Key features of the proposed award are summarised below:

- Options would be granted with an exercise price at the higher of the market value or £2 per share; and
- Exercise of options would be subject to prior achievement of an absolute share price target – the Committee felt that this provided the clearest alignment between the interests of shareholders and executives given the absence of any obvious comparator group of companies against which a relative Total Shareholder Return measure could be constructed.

Before options to be granted to the current Executive Directors are exercisable the following share price targets would have to be achieved over 20 consecutive dealing days at some point in the period between the 2nd and 10th anniversaries of grant:

| | Percentage of options exercisable | Share price target | Exercise period (post grant) |
|-----------|-----------------------------------|--------------------|------------------------------|
| Tranche 1 | 25% | £4 | 2–10 years |
| Tranche 2 | 37.5% | £5 | 3–10 years |
| Tranche 3 | 37.5% | £6 | 4–10 years |

- The Chief Executive Officer, Dr Peter Bance, would receive an award of options over shares worth £1.7 million. Other Executive Directors would receive awards of up to 75% of the Chief Executive Officer's award. These one-off awards have been assumed to replace annual grants that would have otherwise been granted to the Directors over the four year period from 2007/08 to 2010/11. Similar smaller grants would be made to other key senior Company staff.
- Exercise of options would, in addition to the performance condition outlined above, usually be dependent on continued employment until the initial exercise point. Early leavers' options would be treated in line with the existing 2004 Scheme rules whereby those of 'bad leavers' would lapse and those of 'good leavers' would usually only be exercisable if the performance target had been met at their time of departure.

Options with the features outlined above can be granted under the existing 2004 Scheme. However, shareholder approval will be sought at the AGM for two changes to the 2004 Scheme:

- i. an enhancement in the ability of the Company to use newly issued shares to satisfy both these option grants and the deferred share element of the CHP Project Bonus Plan. There is limited remaining capacity within the 2004 Scheme's existing 15% of share capital dilution limit so shareholders will be asked to approve the use of up to an additional 5% of share capital dilution in total to satisfy awards under these two schemes; and
- ii. provision of the capacity to settle exercised options with Share Appreciation Rights ('SARs') whereby shares are issued only to the extent of the gain in value of the options at the point of exercise.

Appendix 2

Key terms of the CHP Project Bonus Plan (the 'Plan')

Operation

The Committee will supervise the operation of the Plan.

Type of awards

Participants in the Plan will be granted the right to receive a bonus award following the completion of each of the Alpha, Beta and Gamma phases of the CHP Project.

Awards made under the Plan will be made up of two elements. 50% of any award will be paid to participants immediately in cash. The Committee will designate the remaining portion of an individual's total award as a deferred award (a 'Deferred Bonus Award') over ordinary shares in the Company ('Shares').

Proposed award population

Any employee (including an Executive Director) of the Company and its subsidiaries will be eligible to participate in the Plan at the discretion of the Committee.

It is currently envisaged, however, that awards will only be considered for key senior staff.

Performance conditions

The amount of any award granted under the Plan will be subject to the Committee's assessment of the quality of delivery of each of the Alpha, Beta and Gamma phases of the CHP Project at the completion of each phase of the project (known as 'milestone targets').

Objective 'milestone targets' for the Alpha phase have already been set and communicated to participants. 'Milestone targets' for the Beta and Gamma phases will be set and notified to participants prior to the start of the relevant phase. If subsequently the Committee reasonably determines that these milestone targets have become inappropriate, it may alter them (provided that, if the alterations make the targets materially more difficult, they are made with the agreement of the affected participants).

Timing of grants and structure of awards

The Committee will grant Deferred Bonus Awards as soon as possible after determining to what extent each of the 'milestone targets' has been achieved. The cash element of the bonus award will be paid to participants on the first practicable payroll date following the Committee's assessment of the relevant 'milestone target'.

The Committee may grant Deferred Bonus Awards in one of two forms: (i) conditional awards, where a participant will receive free Shares automatically on the vesting of his or her award; or (ii) nil (or nominal) cost options, where a participant can decide when to exercise his award during a period of 12 months after it has vested. The Committee's current intention is to grant Deferred Bonus Awards as nominal cost options.

The Committee may also decide to satisfy Deferred Bonus Awards in cash although it does not currently intend to do so.

Deferred Bonus Awards will ordinarily vest no earlier than 30 June 2012, subject to continued employment within the Company's group.

A Deferred Bonus Award may not be granted more than 10 years after shareholder approval of the Plan. No payment is required for the grant of an award. Deferred Bonus Awards are not transferable, except on death. Benefits provided under the Plan are not pensionable.

Leaving employment

As a general rule, an award will lapse upon a participant ceasing to hold employment or be a Director within the Company's group.

However, if before the later of 30 June 2012 and when the Gamma phase of the CHP Project is completed, a participant ceases to be an employee or Director because of his death, ill health, injury, disability (each proven to the satisfaction of the Committee), retirement (with the agreement of the Committee), redundancy or his employing company or the business for which he works being sold out of the Company's group or in other circumstances at the discretion of the Committee: (i) the Committee will have the discretion to determine whether bonus awards should be granted in respect of any of the 'milestone targets'; and (ii) all Deferred Bonus Awards will vest in full on cessation of employment. Deferred Bonus Awards granted as nil or nominal cost options will be exercisable for six months after cessation of employment.

Corporate events

In the event of a takeover, demerger or winding up of the Company: (i) the Committee will have the discretion to determine whether bonus awards should be granted in respect of any of the outstanding 'milestone targets'; and (ii) all Deferred Bonus Awards will immediately vest in full (unless the Committee determines otherwise in the circumstances set out below).

In the event of an internal corporate reorganisation awards will be replaced by equivalent new awards over shares in a new holding company unless the Committee decides that awards should vest on the basis which would apply in the case of a takeover.

Participants' rights

Deferred Bonus Awards will not confer any shareholder rights until the conditional awards have vested or the options have been exercised and the participants have received their Shares.

The Committee may decide that participants will receive a payment (in cash and/or Shares) on or shortly following the vesting of their Deferred Bonus Awards, of an amount equivalent to the dividends that would have been paid on those Shares between the time when the awards were granted and the time when they vest. Alternatively, participants may have their Deferred Bonus Awards increased as if dividends were paid on the Shares subject to their award and then reinvested in further Shares. It is currently envisaged that the Committee will not ordinarily invoke these provisions.

Rights attaching to Shares

Any Shares allotted when a Deferred Bonus Award vests or is exercised will rank equally with Shares then in issue (except for rights arising by reference to a record date prior to their allotment).

Variation of capital

In the event of any variation of the Company's share capital or in the event of a demerger, payment of a special dividend or similar event which materially affects the market price of the Shares, the Committee may make such adjustment as it considers appropriate to the number of Shares subject to a Deferred Bonus Award and/or the exercise price payable (if any).

Individual limit

The maximum possible award (comprising both the cash element and the market value of the Shares subject to the Deferred Bonus Award on grant of the award) under the Plan on achieving each 'milestone target' will be no more than 100% of annual base salary for the Company's Chief Executive Officer at the time he first participates in the Plan and no more than 75% of the participant's annual salary for other participants on the same basis.

Overall Plan limit

The Plan may operate over new issue Shares, treasury Shares or Shares purchased in the market.

In any 10 calendar year period, the Company may not issue (or grant rights to issue) more than 20% of the issued ordinary share capital of the Company under the Plan and any other employee share plan adopted by the Company.

Treasury shares will count as new issue Shares for the purposes of these limits unless institutional investors decide that they need not count.

Alterations to the Plan

The Committee may, at any time, amend the Plan in any respect, provided that the prior approval of shareholders is obtained for any amendments that are to the advantage of participants in respect of the rules governing eligibility, limits on participation, the overall limits on the issue of Shares or the transfer of treasury shares, the basis for determining a participant's entitlement to, and the terms of, the Shares or cash to be acquired and the adjustment of Deferred Bonus Awards.

The requirement to obtain the prior approval of shareholders will not, however, apply to any minor alteration made to benefit the administration of the Plan, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or for any company in the Company's group.

Appendix 3

Key amendments to the 2004 Employees' Share Option Scheme (the '2004 Scheme')

Overall Scheme limit

The overall number of Shares the Company may issue or transfer from treasury in satisfaction of options which may be granted under the 2004 Scheme will be increased from 15% (in any 10 year period) to 20% (in any 10 calendar year period) of the Company's issued share capital to bring it into line with the overall limit proposed for the awards under all elements of the performance-related pay arrangements and the 2004 Scheme.

Stock appreciation rights

The Committee may in its discretion determine that any options granted in future under the 2004 Scheme will be capable of being satisfied as stock appreciation rights ('SARs'), under which only Shares with a value equivalent to the inherent gain in the option on exercise are issued or transferred to the participant. SARs may take the form of conditional share awards or nominal cost options. Options granted before 5 December 2008 may also be satisfied as SARs with the agreement of the participant.