30 September 2008

Ceres Power Holdings plc
("Ceres", "Ceres Power", or "the Group")

Preliminary results for the year ended 30 June 2008

Ceres Power Holdings plc, the AIM listed alternative energy company, announces its preliminary results for the year ended 30 June 2008.

Highlights

- £20m investment by Centrica at 300p per share for 10% equity stake
- £5m funded CHP development and trialling programme secured with British Gas
- British Gas volume forward order for a minimum of 37,500 CHP products
- Strong balance sheet with £27.5m in cash at 30 June 2008
- Brian Count, ex-Innogy plc CEO, appointed Chairman
- UK Chairmen of Siemens and Motorola appointed as NEDs February 2008

Key Achievements

- Performance of core technology manufactured from scaleable processes independently confirmed
- 1kW Fuel Cell Module achieved performance, size and weight targets
- CHP Alpha design phase for British Gas completed
- Volume suppliers selected for key balance of plant components and equipment

Results Summary

	2008	2007
	Unaudited	Unaudited
	£'000	£'000
Revenue	**722**	98
Other operating income	**845**	970
Operating loss	**(6,364)**	(5,898)
Finance income	**974**	597
Loss for the financial year	**(4,990)**	(4,885)
Loss per share	**(7.98)p**	(8.27)p

Net increase / (decrease) in cash and cash equivalents	**16,313**	(2,876)

Dr Brian Count, Chairman, commented:

"I am pleased to report that Ceres has successfully delivered on the objectives that we set last year. During the year we secured a major supply and distribution agreement with British Gas and we have committed to a clear roadmap for getting product to market in volume under this contract."

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Chairman's Statement

Business Overview

I was delighted to assume the Chairmanship of Ceres Power in January and it is a great pleasure to report the Group's first full year results since I took on the role.

As reported in the interim results, this year has been a period of transformation for Ceres Power in all aspects of the business. We signed a major supply and distribution agreement with British Gas in January which includes a volume forward order for the mass market uptake of residential CHP products in the UK. In addition, Centrica plc (owner of British Gas) became a major new shareholder acquiring a stake of approximately 10% for £20m. These developments demonstrate the confidence both companies have in Ceres technology to enable British Gas customers to generate cheap, reliable, low-carbon electricity in their own homes.

The Group has also received independent confirmation of the core technology performance this year and successfully demonstrated its wall-mountable CHP product. It is capable of generating most of the electricity and all of the hot water and central heating required for a typical UK home. Ceres Power's unique fuel cell technology enables the product to match daily and seasonal energy demands all year round, substantially reducing the need to buy electricity. It is manufactured using low-cost materials and is designed to produce total annual energy savings of around 25% for consumers. Finally, we have also set out and communicated to the market our plan to deliver our CHP product into the UK market and I am delighted to report that we have met the Fuel Cell Module size, weight and performance targets. The Board and management team are fully committed to the delivery of this plan which we are convinced will enhance shareholder value.

The UK Government has estimated that over time microgeneration products, such as fuel cell CHP, have the potential to supply over one-third of the country's total electricity needs and help meet its environmental obligations. Recent research commissioned by the UK Government has shown that fuel cell CHP has the potential to become the microgeneration 'system of choice', replacing the condensing boiler.

The Ceres Power CHP product is based on patented technology that is specifically designed for residential use - wall mountable and a similar size and shape to standard domestic boilers. The units from the Alpha phase of our CHP product agreement with British Gas will be completed in Q4 2008 and we have outlined a clear roadmap to take the product to volume launch.

During the year, the Group delivered strong growth in commercial revenues and continued to invest in manufacturing facilities and the recruitment of experienced employees. The Group's balance sheet remains strong with £27.5 million in cash, providing a strong financial base from which we can continue to develop the business.

Energy efficiency

In addressing climate change, renewables are only a partial solution in an environment of rising energy costs, energy demand and international pressure for sustainable economic growth. The UK has agreed to contribute to the EU's target for renewables by 2020. The Government has stated that energy efficiency is the starting point of its energy policy, since this can reduce the amount of renewable energy needed to meet targets by reducing overall consumption.

Microgeneration products such as residential CHP create electricity at the point of use and are highly efficient compared with centralised power stations, avoiding the heat losses in generation and transmission. Ceres fuel cell CHP products use existing infrastructure, unlike renewables, and could make a significant contribution to meeting energy targets and delivering energy savings to consumers.

Improving energy performance in homes will play a particularly important role. According to the Organisation for Economic Co-operation and Development (OECD), residential buildings represent 26% of the world's energy demand. Investing in microgeneration will be an important tool in tackling the carbon impact of the built environment.

We welcome the UK Government's acknowledgement that there is the potential to encourage more rapid uptake of microgeneration products through fiscal incentives, building regulations and the development of appropriate policies.

People

I would like to thank Philip Holbeche who retired as Executive Chairman and John Gunn who stepped down as Non-Executive Director for their substantial contributions to the successful development of the Group. On behalf of the Board, I would like to wish both Philip and John every success in their future endeavours.

We were extremely pleased to welcome Sir David Brown and Alan Wood as Non-Executive Directors of the Group in February 2008. As Ceres progresses towards mass market delivery of its products, their experience in high growth technology businesses as Chairmen of Motorola UK and Siemens UK respectively will be invaluable in helping the Group build shareholder value.

The Group continues to build its experienced high calibre team to meet the challenging targets that the Group has set itself. The success of the business depends on the hard work and commitment of all of its employees and on behalf of the Board I would like to record our thanks to all of them for their outstanding contribution over the past year.

Dr. Brian Count
Chairman

Chief Executive's Review

Business Review

I am pleased to report that Ceres has successfully delivered on the objectives that we set ourselves in last year's Annual Report. Substantial achievements have been made in our priority areas: value engineering of the core CHP product; preparation for mass manufacturing; delivery of key private and public sector contracts; securing new commercial contracts to get product to market in volume; and growing revenues and maintaining a strong balance sheet.

Product

We have adopted a rigorous Alpha, Beta, Gamma product development process based on industry best practice for bringing new consumer durable products to market. This involves a three stage process of performance validation, reliability testing and mass production, after which the product is ready for mass market launch.

In June this year we announced that the Alpha CHP product design phase had been completed under the programme with British Gas, meeting requirements for ease of installation, service and maintenance and designed for volume manufacture. In addition, we also announced to the market our roadmap for the CHP product launch in the UK.

We have successfully delivered our first milestone on this roadmap with the build and test of a 1kW Fuel Cell Module meeting all the performance, size and weight requirements under the Alpha phase. The Fuel Cell Module was operated on three different fuel types: mains natural gas, methane and propane. On each fuel, it delivered a maximum electrical output of just over 1kW and was operated over a broad range of power outputs demonstrating its controllability and efficiency. The core Fuel Cell Stack within the integrated Fuel Cell Module demonstrated a heat to power ratio of better than 1:1 and was built using Ceres Power fuel cells made by scaleable manufacturing processes.

The Fuel Cell Module has been packaged to fit overall dimensions of 205mm by 305mm by 305mm. Including its thermal insulation it weighs less than 25kg, meeting the Alpha CHP product targets.

Together, these size and weight achievements enable the CHP product to be wall mountable and easy to install, essential to maximise mass market access. This milestone achievement underpins the Group's confidence that it will complete the Alpha CHP build in Q4 2008.

Manufacturing

Manufacturing development work during the year has focussed on migrating from low-volume techniques to scaleable mass manufacturing solutions using production-intent machines, materials and processes. Significant gains have been made in processing speeds, automated handling and statistical process controls.

In preparation for mass production scale-up, detailed planning for the Mother Plant has been completed and a shortlist of possible sites has been agreed. This strategy of centralised in-house volume manufacturing of the core Fuel Cell Module from the Mother Plant is being followed in order to maximise value capture, IP protection and operational efficiency. Key balance of plant components and sub-assemblies are being co-developed and sourced from cost-effective, high quality volume suppliers from across a global supply chain.

Operations

In support of the Alpha, Beta, Gamma programme, the Group is increasingly investing in dedicated facilitiesfor performance and durability testing as well as additional analytical equipment to support quality assurance. The Group has also continued to invest in the professional development of existing employees and the recruitment of experienced people in manufacturing operations, supply chain management, systems engineering and quality systems. This is set to continue as new commercial contracts are secured and manufacturing is scaled-up.

By focussing on a core platform technology with attractive cost and performance characteristics, a number of potential market opportunities are being targeted in different countries and market segments. This maintains highly efficient operations with a relatively low cost base.

Commercial

The highlight of the year was the signing of a major new design, development and distribution agreement with British Gas, building on a long-standing relationship formally established in 2005. Under this agreement, British Gas is paying £5 million towards the costs of developing and trialling CHP products for volume launch in the UK. In addition, British Gas is committing its operational resources to support this programme including sales and marketing, training, installation, servicing and logistics. British Gas is the largest energy supply company and installer of gas appliances in the UK, and this deal provides Ceres Power with an unparalleled channel to market for residential CHP products.

British Gas has also placed a volume forward order with Ceres Power to supply a minimum of 37,500 CHP products over a four-year period. Both companies have agreed to promote the Ceres CHP product with the intention of achieving substantially greater levels of annual sales over the four-year period.

Ceres is also focussing on developing other markets for CHP products and is actively seeking partners to help expand internationally.

The programme with EDF Energy Networks to develop an energy security device for use in UK homes has met all the milestones to date, and the Group is expected to deliver a prototype under the existing contract on schedule by the end of 2008. The product uses the core Fuel Cell Module running off packaged fuel and is hybridised with an electrical storage unit. This capability will enable the Group to address global opportunities for energy security applications including uninterruptible power supplies, load-shedding support, remote power generation and battery charging.

Financial

Revenue for the year increased substantially to £0.7 million (2007: £0.1 million), through the successful delivery of technical milestones under the Group's contracts with its commercial partners. In February 2008, the Group received the first milestone payment of £1 million from British Gas, and is recognising this as revenue over the Alpha phase of the contract. Following the completion of several existing public sector contracts during the year, other operating income fell 13% to £0.8 million (2007: £1 million).

The Group has continued to invest in its product development, manufacturing and commercial capabilities across the business. This has resulted in research and development expenditure increasing 16% to £5.7 million (2007: £4.9 million) and administrative expenditure increasing 8% to £2.2 million (2007: £2 million). Finance income rose 63% to £1 million (2007: £0.6 million) as a result of raising approximately £20.2 million (net of expenses) through the issue of new shares during the year and rising short-term interest rates. The loss for the year increased by 2% to £5 million (2007: £4.9 million), reflecting the increase in operating expenses net of the increase in revenue and interest income.

The net cash used in operating activities increased by £0.3 million to £3.7 million (2007: £3.4 million) mainly due to the reduction in income tax received in the year. Cash investment in property, plant and equipment increased by £0.5 million to £1.1 million (2007: £0.6 million) reflecting investment in the Product Facility and manufacturing equipment during the year.

Cash inflow from financing activities increased by £19.7 million to £20.2 million (2007: £0.5 million). This was mainly due to the issue in February 2008 of 6,671,838 new shares at a price of 300 pence per share to GB Gas Holdings Limited (a subsidiary of Centrica plc), which raised £20 million (before expenses). The Group's cash and cash equivalents increased by £16.3 million (2007: decrease £2.9 million).

The Group's liquidity position is strong with £27.5 million in cash and cash equivalents. All surplus funds are invested in short term, low-risk triple-A rated money market funds in accordance with the Board approved Group treasury policy which is focused on preserving the Group's capital.

Outlook

The Board has set out a clear roadmap through to commercial launch in the UK of the CHP product in collaboration with British Gas. In addition, we have committed to build commercial and operational capabilities to grow the business and to expand internationally. To achieve these objectives, our priorities for the next twelve months will be to:

- Complete the Alpha CHP product build using fuel cells from scaleable manufacturing processes in Q4 2008;

- Secure a Mother Plant site for a fuel cell mass manufacturing facility in Q4 2008;

- Conduct Alpha CHP product testing and commence the Beta CHP phase of the contract with British Gas in Q1 2009;

- Complete the Alpha CHP phase of the British Gas contract and trigger the next milestone payment of £2 million;

- Procure volume fuel cell manufacturing machines and commence initial operations in the Mother Plant;

- Grow commercial revenues with existing partners and secure new contracts; and

- Demonstrate a prototype energy security product under the existing contract with EDF Energy Networks.

The Board and management team are confident that we will deliver against our stated roadmap to mass market launch and I look forward to reporting on the delivery of our stated priorities and other progress over the coming year.

Peter Bance

Chief Executive Officer

CONSOLIDATED INCOME STATEMENT
for the year ended 30 June 2008

		2008	2007
		Unaudited	Unaudited
	Note	**£'000**	£'000
		2008	2007
		Unaudited	Unaudited
	Note	**£'000**	£'000
Revenue		**722**	98
Research and development costs		**(5,748)**	(4,942)
Administrative expenses		**(2,183)**	(2,024)

Other operating income		**845**	970
Operating loss		**(6,364)**	(5,898)
Finance income		**974**	597
Loss before income tax		**(5,390)**	(5,301)
Income tax credit		**400**	416
Loss for the financial year		**(4,990)**	(4,885)
Loss per £0.05 ordinary share expressed in pence per share:			
- basic and diluted	2	**(7.98)p**	(8.27)p

CONSOLIDATED BALANCE SHEET
as at 30 June 2008

	Note	**2008 Unaudited £'000**	2007 Unaudited £'000
Assets			
Non-current assets			
Property, plant and equipment		**2,034**	1,842
Other receivables		**53**	53
Total non-current assets		**2,087**	1,895
Current assets			
Trade and other receivables		**492**	628
Cash and cash equivalents	5	**27,476**	11,142
Current tax receivable		**400**	-
Total current assets		**28,368**	11,770
Liabilities			
Current liabilities			
Trade and other payables		**(1,748)**	(855)
Net current assets		**26,620**	10,915
Non-current liabilities			
Other payables		**(77)**	(22)
Net assets		**28,630**	12,788
Equity			
Share capital	3	**3,337**	2,981
Share premium account		**35,465**	15,594
Other reserve		**7,463**	7,463
Profit and loss account		**(17,635)**	(13,250)
Total shareholders' equity		**28,630**	12,788

CONSOLIDATED CASH FLOW STATEMENT
for the year ended 30 June 2008

		2008 Unaudited	2007 Unaudited
Cash flows from operating activities	**Note**	**£'000**	£'000
		2008 Unaudited	2007 Unaudited
Cash flows from operating activities	**Note**	**£'000**	£'000
Cash used in operations	4	**(3,735)**	(3,891)
Income tax received		**-**	494
Net cash used in operating activities		**(3,735)**	(3,397)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(1,095)**	(577)
Finance income received		**923**	597
Net cash (used in) / generated from investing activities		**(172)**	20
Cash flows from financing activities			
Proceeds from issuance of ordinary shares		**20,301**	501
Net expenses of shares issued		**(81)**	-
Net cash generated from financing activities		**20,220**	501
Net increase / (decrease) in cash and cash equivalents		**16,313**	(2,876)
Exchange gains / (losses) on cash and cash equivalents		**21**	(3)
		16,334	(2,879)
Cash and cash equivalents at beginning of year		**11,142**	14,021
Cash and cash equivalents at end of year		**27,476**	11,142

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2008

Unaudited	**Share capital**	**Share premium account**	**Other reserve**	**Profit and loss account**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
At 1 July 2006	2,925	15,137	7,463	(9,535)	15,990
Issue of shares (net of costs):	56	457	-	-	513
Loss for the financial year	-	-	-	(4,885)	(4,885)
Share-based payments charge	-	-	-	1,170	1,170
At 30 June 2007	2,981	15,594	7,463	(13,250)	12,788
Issue of shares (net of costs):	356	19,864	-	-	20,220
Loss for the financial year	-	-	-	(4,990)	(4,990)
Share-based payments charge	-	-	-	605	605

Share-based remuneration for services	-	7	-	-	7
At 30 June 2008	**3,337**	**35,465**	**7,463**	**(17,635)**	**28,630**

Notes to the Preliminary Announcement

1. Basis of Preparation

The financial information contained in this preliminary announcement does not constitute the full financial statements within the meaning of s240 of the Companies Act 1985.

The financial information for the year ended 30 June 2008 is unaudited and has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union as at 30 June 2008 and in accordance with the accounting policies included in the IFRS transitional disclosure published by the Group on 25 March 2008. The Group's statutory accounts for the year ended 30 June 2007, prepared under UK GAAP, have been delivered to the Registrar of Companies; the report of the auditors on these accounts was unqualified and did not contain a statement under section 237 (2) or (3) of the Companies Act 1985.

2 Loss per share

Basic and diluted loss per £0.05 ordinary share are calculated by dividing the loss for the financial year attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year. Given the losses during the year, there is no dilution of losses per share in the year ended 30 June 2008 or in the previous year.

The loss for the financial year ended 30 June 2008 was £4,990,000 (2007: £4,885,000) and the weighted average number of £0.05 ordinary shares in issue during the year ended 30 June 2008 was 62,548,262 (2007: 59,057,064).

3 Called up share capital

	2008		2007	
	Unaudited		Unaudited	
	Number	**£'000**	Number	£'000
Authorised				
Ordinary shares of £0.05 each	**100,000,000**	**5,000**	100,000,000	5,000
Allotted, called up and fully paid				
Ordinary shares of £0.05 each	**66,740,675**	**3,337**	59,618,027	2,981

During the year the Company issued 394,362 ordinary shares of £0.05 each on the exercise of employee share-options for cash consideration of £248,618, and 53,810 ordinary shares of £0.05 each on the exercise of warrants for cash consideration of £37,667.

Also, during the year a total of 2,638 ordinary shares of £0.05 each were issued as remuneration for non-executive director services. The value of the shares on the dates of issue totalled £7,407.

On 6 February 2008, the Company issued 6,671,838 ordinary shares of £0.05 each by way of a cash placing to GB Gas Holdings Ltd for a cash consideration of £20,015,514 (before expenses).

4 Cash used in operations

	2008 Unaudited	2007 Unaudited
	£'000	£'000
Loss before income tax	**(5,390)**	(5,301)
Adjustments for:		
Finance income	**(974)**	(597)
Depreciation of property, plant and equipment	**770**	674
Share based payments charge	**605**	1,170
Share based remuneration for services	**7**	12
Operating cash flows before movements in working capital	**(4,982)**	(4,042)
Decrease / (increase) in trade and other receivables	**167**	(129)
Increase in trade and other payables	**1,080**	280
Decrease in working capital	**1,247**	151
Cash used in operations	**(3,735)**	(3,891)

5 Cash and cash equivalents

	2008	2007
	Unaudited	Unaudited
	£'000	£'000
Cash at bank and in hand	**(70)**	1,642
Financial institutions - Money Market Funds	**27,546**	-
Financial institutions - Money Market Deposits	**-**	9,500
	27,476	11,142

The Group places surplus funds into pooled Money Market Funds with a credit rating of AAAm from Standard & Poor's and Aaa/MR1+ from Moody's.

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