For Immediate Release	14th September 2006

Clean Air Power Ltd

("Clean Air Power" or "the Company")

Interim Results

for the six months to 30th June 2006

Clean Air Power Ltd (AIM:CAP) the developer of Dual-Fuel™ combustion technology for heavy-duty diesel engines today announces its results for the 6 month period ended 30 June 2006.

Highlights

- Successful IPO on AIM, raising £10.6m (gross proceeds)
- Launch of the Genesis Dual-Fuel™ system in May 2006
- Genesis product now available on Mercedes and DAF Euro III platforms
  - Successful conversion of Mercedes truck completed for Tesco trial and subsequently delivered in July
  - Successful conversion of DAF truck delivered to Warburtons bakers
- New intellectual property granted in key commercial regions
- Product creating interest due to the significant reduction in emissions and CO2 - in addition to the original strong financial drivers
- Revenues £1.6m (£2.0m for 6 months to June 2005)
- Gross margin 44% versus 35% for 6 months to June 2005
- Operating loss (excluding share-based payments charge of £0.3m) £1.4m (£1.5m for 6 months to June 2005)
- Losses after tax £1.4m (excluding share-based payments charge of £0.3m and re-organisation expenses of £0.2m) (£1.7m for 6 months to June 2005)

Commenting on the results, John Pettitt, Chief Executive of Clean Air Power said:

"The first half of 2006 has been a very exciting and productive time for Clean Air Power. The main focus has been on the development of new products and improved cost control. This has resulted in the launch of our new Genesis product in May and an improvement in the bottom line result before exceptional items compared with last year."

For further details please contact:

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Outlook

2006 continues to be an exciting year for Clean Air Power. Since our admission to AIM in February the Company's plans for increased commercialisation of its technology are progressing well.

The Company is ideally placed to take advantage of two significant and high profile global issues, increasing fossil fuel cost and growing concern over harmful emissions and CO2. Clean Air Power technology delivers a marked improvement in both of these areas and has been proven on over 1,600 trucks worldwide. Some of these Dual-Fuel™ vehicles have run for more than seven years and some have completed more than 1,000,000 km running on Dual-Fuel™ systems.

Since the completion of our first Genesis conversion on a DAF truck for Warburtons in May, we have also developed a new Mercedes variant of our product, initially for supply to Tesco plc. Tesco began trialing the vehicle in July 2006 and the trial is expected to be completed in November, with results being presented around the end of the year. We believe the trial will provide Tesco with a positive confirmation of the reliability and cost savings produced by our technology. If successful we anticipate further sales of the Genesis product to Tesco and other operators as a result.

The ultimate goal of the Company is to enter into an agreement with a manufacturer and these plans can be described as being in their early stages.

We have recruited new staff to strengthen both the sales and engineering teams as Clean Air Power drives forward to develop its commercial and technological expertise.

Financial Review

During the six months to 30 June 2006 Clean Air Power implemented its new commercial strategy. The original core product range had reached the end of its life cycle in most markets and new products have been launched to widen the potential markets. The new products were not launched until May and June, accordingly the year to date revenue of £1.569m is lower than the £1.993m achieved in the same period of 2005.

The 2006 gross margin to date of 44% shows a significant improvement on the 35% achieved up until June 2005. The improvement is driven by the heavier weighting of the component business in the mix. This factor coupled with careful expense control produced an operating loss (before a share based payments charge of £0.301m) of £1.416m which compares favourably with the £1.526m loss from the same period in 2005 despite the lower sales level.

A non cash expense relating to the implementation of Financial Reporting Standard No. 20 (FRS20) and resulting share-based payments charge of £0.301m was incurred. Additionally reorganisation expenses of £0.196m contributed to the overall net loss of £1.902m compared with £1.698m at June 2005. The Company's reorganisation is now complete, consequently further charges relating to group reorganisation are not expected. However, in accordance with FRS20 further P&L charges relating to share based payments are expected in the future.

Discounting the two items listed above the adjusted net result of £1.405m compares favourably with the £1.698m from 2005.

Operational Review

Dual Fuel™ Vehicle Systems

‘Genesis’ Development

Clean Air Power’s patented Dual-Fuel™ technology allows a heavy duty diesel truck engine to run on a combination of both diesel and natural gas, thereby generating significant cost savings for the operator whilst considerably reducing emissions and CO2.

The original application of this technology in trucks was carried out in partnership with a single engine manufacturer. This route to market provided certain engineering benefits but meant that Clean Air Power was commercially restricted to the markets and operators where this manufacturer had a presence.

The ‘Genesis’ product was designed to address this commercial restriction. It is designed to be generic and is ultimately adaptable to fit any Euro III engine thereby rendering a much wider market accessible to the Company. In May of 2006 the first ‘Genesis’ model was completed. Warburtons, the national bakery company, who have a large fleet of heavy duty trucks, took delivery of the ‘Genesis’ truck in the first week of June 2006.

Clean Air Power is actively marketing the Genesis product and have now produced a demonstration model to allow potential customers to gain a first hand experience of a Dual-Fuel™ truck.

Genesis Target Markets

Clean Air Power is also targeting major supermarkets, logistics companies, local authorities and haulage firms for its ‘Genesis’ product. We believe these types of organisation will appreciate the financial benefits of converting their vehicles to gas whilst also understanding that they will be making a positive environmental impact.

We also believe that there are opportunities in Europe where certain markets have more mature natural gas infrastructures or a more beneficial natural gas versus diesel price differential. Our target markets include Germany, Italy and the Netherlands.

Tesco Trial

A very important achievement for the Company is the successful conversion of a Mercedes Axor truck for Tesco. This conversion project enjoyed the support and cooperation of both Tesco and Mercedes. On completion of the conversion Tesco began a trial of the vehicle which will run from mid-July until the end of November. It’s objective is to assess the operational effectiveness, potential cost savings and environmental impact of the Dual-Fuel™ truck.

We have reason to be optimistic concerning the outcome of the trial based on our track record of our technology on its previous platforms.

OEM Developments

The ‘Genesis’ system has been specifically developed to be an after market retro fitted product which can be installed without the need for formal cooperation of the engine manufacturers.

Our strategic goal is to work with vehicle and engine manufacturers to reach an agreement licensing the Dual Fuel™ technology to them and developing it further with their full cooperation. In this way the benefits of our technology can be maximised. The Company is actively pursuing this route to market although we recognise that we are in the early stages of this process.

The strategy involves encouraging the engine manufacturers to adopt our technology in partnership with a combination of interested parties. Truck operators, environmental bodies and governments would all benefit from the widespread adoption of our Dual Fuel™ technology. By demonstrating the benefits of our technology to these parties we expect to enlist their support thereby building a compelling proposition for the manufacturers.

Australia

We have some excellent potential opportunities in Australia. The market enjoys active government support, with the benefits of a Clean Air Power product being well recognised within the industry. There are also plans to improve the availability of natural gas by improving the country’s gas infrastructure. Existing Dual-Fuel™ operators are achieving significant savings and we are in active discussions with some of Australia’s largest fleet operators regarding trials of our product.

Intellectual Property Developments

The Company holds 35 patents covering various aspects of its technology. During 2006 two significant new patents were granted relating to areas of technology the Company believes will be useful as we develop our future product ranges. The first covers the application of homogeneous charge compression ignition (HCCI) to the patented Dual-Fuel™ system. HCCI is a technology that will be used to reduce emissions from internal combustion engines in the future.

The second, entitled “Gas-Fueled, Compression Ignition Engine with Maximized Pilot Ignition Intensity” covers Clean Air Power’s Micropilot™ technology. Micropilot, characterized as the use of high-energy ultra-low quantities of diesel to ignite a charge of natural gas, has been demonstrated to dramatically reduce emissions from Dual-Fuel™ engines. This technology is an integral part of the solution offered by Clean Air Power to enable diesel engines to operate on clean natural gas and meet the emissions and performance challenges of the future.

Components Business

Clean Air Power manufactures a number of the components that are used in the Company’s Dual-Fuel™ Technology. The Company also sells these components for spark ignited gas engines and certain other applications. Global demand for these engines is increasing as part of the overall shift towards alternative fuels. With sales mainly in Europe and the USA, strong margins and a customer base including international OEMs, this is an important supplement to the overall Clean Air Power business. We expect to strengthen our sales force to develop further opportunities for this area of our business.

Sales in the first half of 2006 for our components generated revenue of £0.642m, approximately 41% of total revenue. This level of sales compares favourably with the £0.418m achieved in the first half of 2005 and demand remains strong in this area.

Emissions Reduction Business

This area of our business provides solutions to very large stationary diesel engines such as those used in pumping stations. Our current market is mainly in the US and we provide a service whereby the emissions from large stationary diesel engines are reduced, usually in response to the requirements of local legislation.

Sales in the first half of 2006 of £0.166m in 2006 are approximately in line with the same point in 2005 (£0.120m) and we remain very confident regarding the revenues for the second half of the year since we are in the process of delivering a £0.6m contract which is scheduled to be delivered before the end of 2006. Considering that total revenues from this business in 2005 were £0.280m, this contract provides an excellent growth opportunity.

Consolidated Profit & Loss Account
for the 6 Months Ended 30 June 2006

	Unaudited 6 Months Ended 30 June 2006 £'000	**Unaudited 6 Months Ended 30 June 2005 £'000**
Turnover	1,569	1,993
Cost of Sales	(880)	(1,289)
Gross Profit	**689**	**704**
Administrative Expenses	(2,105)	(2,230)
Share Based Payment Charge	(301)	-
Operating Loss	**(1,717)**	**(1,526)**
Reorganisation Expenses	(196)	-
Loss Before Interest	**(1,913)**	**(1,526)**
Interest receivable	120	9
Interest payable	(109)	(181)
Loss on Ordinary Activities Before Taxation	**(1,902)**	**(1,698)**
Taxation	-	-
Loss on Ordinary Activities After Taxation	**(1,902)**	**(1,698)**
Basic and Diluted Loss Per Share	**(8.1p)**	**(10.4p)**

Consolidated Statement of Total Recognised Gains & Losses for the 6 Months Ended 30 June 2006

	Unaudited 6 Months Ended 30 June 2006 £'000	Unaudited 6 Months Ended 30 June 2005 £'000
Loss for the Period	**(1,902)**	**(1,698)**
Currency Translation Differences on Foreign Currency Net Investments	622	(1,461)
Total Gains & Losses Recognised	**(1,280)**	**(3,159)**

Consolidated Balance Sheet as at 30 June 2006

	Unaudited 6 Months Ended 30 June 2006 £'000	Unaudited 6 Months Ended 30 June 2005 £'000
Fixed Assets		
Intangible Fixed Assets	330	-
Tangible Fixed Assets	179	325
	509	**325**
Current Assets		
Stocks	870	1,314
Debtors: Due Within One Year	445	545
Other Assets	162	50
Cash at Bank and in Hand	7,656	748
	9,133	**2,657**
Creditors: Due Within One Year	(1,736)	(2,145)
Notes Payable: Due Within One Year	-	(1,910)
Net Current Assets / (Liabilities)	**7,397**	**(1,398)**
Notes Payable: Due After More Than One Year	-	(144)
Preference Shares	-	(1,946)
Net Assets / (Liabilities)	**7,906**	**(3,163)**
Capital and Reserves		
Called Up Share Capital	15	5
Share Premium	8,982	-
Other Reserves	34,052	27,451
Profit and Loss Account	(35,143)	(30,619)
Equity Shareholders Funds	**7,906**	**(3,163)**

Consolidated Cash Flow Statement for the Six Months Ended 30 June 2006

	Unaudited 6 Months Ended 30 June 2006 £'000	Unaudited 6 Months Ended 30 June 2005 £'000
Net Cash Outflow from Operating Activities	(1,807)	(1,377)
Returns on Investment & Servicing of Finance		
Interest Received	120	9
Interest Paid	(70)	(104)
Group Reorganisation Cost	(196)	-
Capital Expenditure		
Payments to Acquire Fixed Assets	(405)	(12)
Proceeds from Sale of Fixed Assets	-	13
Net Cash Outflow Before Financing	**(2,358)**	**(1,471)**
Financing		
Issue of Ordinary Shares	10,587	-
Share Issue Costs	(1,599)	-
Proceeds from Notes Payable	-	1,262
Payments on Notes Payable	(137)	(101)
Increase / (Decrease) in Cash	**6,493**	**(310)**

Reconciliation of Operating Loss to Net Cash Flow from Operating Activities

	Unaudited 6 Months Ended 30 June 2006 £'000	Unaudited 6 Months Ended 30 June 2005 £'000
Operating Loss	(1,717)	(1,526)
Depreciation	127	140
Share Based Payment Charge	301	-
(Increase)/ Decrease in Stocks	272	465
(Increase)/ Decrease in Other Assets	180	(328)
(Increase)/ Decrease in Debtors	(43)	61
Increase/ (Decrease) in Creditors	(1,070)	(629)
Other Non-cash Movements	143	440
Net Cash outflow from Operating Activities	**(1,807)**	**(1,377)**

Reconciliation of Net Cash Flow to Movement in Net Funds

	Unaudited 6 Months Ended 30 June 2006 £'000	Unaudited 6 Months Ended 30 June 2005 £'000
Increase / (Decrease) in Cash	**6,493**	**(310)**
Issued Debt	-	(1,262)
Payments on Notes Payable	137	101
Change in Net Funds Resulting from Cashflow	**6,630**	**(1,471)**
Foreign Exchange Translation Differences	(65)	(98)
Conversion of Debt to Equity	3,391	144
Net Funds at Beginning of Period	(2,300)	119
Net Funds at End of Period	**7,656**	**(1,306)**

The above schedule excludes from debt convertible preference shares valued at £21.845m, £1.946m and £3.498m at 31st December 2004, 30th June 2005 and 31st December 2005 respectively. No preference shares remain at 30 June 2006.

Notes to the accounts:

1 Group Reorganisation

Under a group reorganisation on 27th February 2006 the Company acquired the whole of the share capital of Clean Air Power Inc. and Clean Air Power Ltd. (the UK registered entity) in exchange for shares. The reorganisation has been accounted for in accordance with the principles of merger accounting set in the Financial Reporting Standard No. 6 (FRS6). The interim results have been prepared as if Clean Air Power Inc. and Clean Air Power Ltd. had been owned and controlled by the Company throughout the periods ended 30th June 2005 and 30th June 2006.

2 Basis of preparation

The interim consolidated financial information of the Group is prepared under the historical cost convention, and in accordance with United Kingdom Generally Accepted Accounting Practice. The interim financial information contained in this statement does not constitute statutory accounts as defined under section 240 of the Companies Act 1985. The interim financial information is unaudited but has been reviewed by the auditors. The information has been prepared on the basis of the accounting policies set out in the statutory accounts for Clean Air Power Inc. (adjusted where applicable for UK GAAP compliance) and Clean Air Power Ltd. (UK) for the year ended 31 December 2005. The statutory accounts for Clean Air Power Inc. (which were prepared in accordance with Generally Accepted Accounting Standards in the US) and Clean Air Power Ltd. (UK) were audited and an unqualified opinion was issued on each.

The Board of directors approved the Interim Report on 14 September 2006.

3 US to UK GAAP Conversion

The Clean Air Power Inc. financial information is originally prepared in accordance with US GAAP. However, since Clean Air Power Ltd. will be publishing future results in sterling the information has been translated on a proforma basis for consistency and ease of comparison as the company progresses.
The 2005 information has been translated at an average $US to £ rate of 1.87462 for the Profit and Loss account and Cashflow Statement and a closing $US to £ rate of 1.80480 for the balance sheet.
The main adjustment to the Clean Air Power Inc. financial information is due to the application of the requirements of Financial Reporting Standard No. 25 (FRS25) to the convertible promissory notes.

4 Accounting Policies

The accounting policies used are consistent with those applied in the latest published accounts of the individual group entities. The following policies are applicable for the first time in these statements, and will be applied in the Group's full year consolidated results.

Share-based payments

Equity settled transactions
The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Fair value is determined by using an appropriate pricing model. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the company (market conditions).

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions number of equity instruments that will ultimately vest or in the case of an instrument subject to a market condition, be treated as vesting as described above. The movement in cumulative expense since the previous balance sheet date is recognised in the income statement, with a corresponding entry in equity.

Where the terms of an equity-settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period. In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of the modification. No reduction is recognised if this difference is negative.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the income statement for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value being treated as an expense in the income statement.

Financial Assets and Liabilities

Interest bearing loans and borrowings

All loans and borrowings are initially recorded at fair value net of issue costs associated with the borrowing.

Interest bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an amortised cost basis and charged to the Profit and Loss Account using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled during the period in which they arise.

Capital instruments

Capital instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

Capital instruments are all instruments that are issued by the Company as a means to raising finance, including shares, debentures, debt instruments and options and warrants that give the holder the right to subscribe for or to obtain capital instruments. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. All equity instruments are included in shareholders funds. Other instruments are classified as financial liabilities if they contain a contractual obligation to transfer economic benefits. The finance costs incurred in respect of a capital instrument, other than equity shares, are charged to the Profit and Loss Account over the term of the instrument at a constant percentage rate to the carrying value.

Preference Shares have been classified as liabilities in accordance with FRS 25.

Intangible assets

Intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired separately from a business are carried initially at cost. Expenditure on internally developed intangible assets, excluding development costs, is taken to the income statement in the year in which it is incurred. Development expenditure is recognised as an intangible asset only after its technical feasibility and commercial viability can be demonstrated.

Intangible assets with a finite life are amortised on a straight line basis over their expected useful lives, as follows:

• development expenditure – 2 to 3 years

The carrying value of intangible assets is reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable. In addition, the carrying value of capitalised development expenditure is reviewed for impairment annually before being brought into use.

5 Turnover and Segmental Analysis

The revenue for the 6 month period to 30 June 2006 is broken down as follows:-

	Vehicle Conversions	Components	Emissions Reduction	Product Support	Other	Total
UK	288	-	-	103	-	**391**
USA	34	358	166	188	-	**746**
Australia	97	73	-	20	-	**190**
Rest of Europe	25	205	-	-	-	**230**
Rest of World	-	6	-	6	-	**12**
	444	**642**	**166**	**317**	**-**	**1,569**

The revenue for the 6 month period to 30 June 2005 is broken down as follows:-

	Vehicle Conversions	Components	Emissions Reduction	Product Support	Other	Total
UK	884			142	-	**1,026**
USA	19	175	120	188	130	**632**
Australia	71	55	-	4	-	**130**
Rest of Europe	-	184	-	1	-	**185**
Rest of World	**-**	4	-	16	**-**	**20**
	974	**418**	**120**	**351**	**130**	**1,993**

6 Loss Per Share

The basic and diluted loss per share has been calculated on the following basis:

	Unaudited 6 months ended June 2006	Unaudited 6 months ended June 2005
Loss for the period (£'000)	(1,902)	(1,698)
Weighted average no. of shares	23,376,479	16,318,479
Basic and diluted loss per share	(8.1p)	(10.4p)

The basic and diluted loss per share are the same because losses have been incurred which result in all potentially dilutive shares being treated as anti-dilutive.

7 Dividend Policy

In accordance with the company's policy as set out in its admission document the company does not propose to declare a dividend.

8 Registered Office

Copies of this statement are available at the registered office of Clean Air Power Ltd. at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

Independent Review report to Clean Air Power Ltd

Introduction

We have been instructed by the company to review the financial information for the six months ended 30 June 2006 which comprises the Consolidated Profit and Loss Account, Consolidated Balance Sheet, Consolidated Cash Flow Statement, Consolidated Statement of Total Recognised Gains and Losses and the related notes 1 to 8. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the company having regard to guidance contained in Bulletin 1999/4 'Review of interim financial information' issued by the Auditing Practices Board. To the fullest extent permitted by the law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report as required by the AIM Rules issued by the London Stock Exchange.

Review work performed

We conducted our review having regard to the guidance contained in Bulletin 1999/4 'Review of interim financial information' issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data, and based thereon, assessing whether the accounting policies and presentation have been consistently applied, unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with International Standards on Auditing (UK and Ireland) and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2006.

Ernst & Young LLP
Manchester
14 September 2006