

Clean Air Power Limited
(“Clean Air Power” or “Company”)
Interim Results for the year to 30 June 2010

30 September 2010

Clean Air Power Ltd (AIM:CAP), the developer of Dual-Fuel™ combustion technology for heavy-duty diesel engines, today announces its results for the six month period ended 30 June 2010.

Financial Highlights

- Revenue for the period: £2.3m (2009: £3.3m)
- Gross profit for the period: £1.3m (2009: £1.8m)
- Losses after tax for the period: £1.2m (2009: £1.0m)
- Gross margin for the period: 56% (2009: 53%)
- In September 2010, £2.25m was raised from institutional investors including Credit Suisse, Fidelity, Henderson, Royal Bank of Canada and certain other investors

Operational Highlights

- Supply and Development Agreements signed with Volvo Powertrain, a subsidiary of AB Volvo, key milestone for the Company.
- Concept Development Agreement signed with Navistar Inc
- Concept Development agreement signed with Volvo Bus Corporation
- Concept Development agreement signed with a Global Construction Manufacturer to develop Dual-Fuel™ Snowblower
- Euro 5 Volvo Genesis EDGE product launched June 2010
- Order received to deliver ten Genesis EDGE units ordered by HAM Group (“HAM”) to be fitted on Volvo FM13 tractor units
- £0.60m order received by Emissions division, due for delivery in 2010

John Pettitt, Chief Executive of Clean Air Power said:

“The signature of the supply agreement with Volvo represents the achievement of the Company’s key objective set out at admission to AIM and provides the Company with a springboard from which it can realise the full potential of its exciting technology. Trading conditions in our sector have impacted these particular results although we expect that these conditions will improve in the second half of the year. The successful £2.25m fundraising in September 2010 has also provided a firm base from which to support the launch of our Volvo products and continue the development of our product for the US market with Navistar.”

For further information, please contact:

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Chief Executive's Statement

The first half of the year has seen the achievement of the Clean Air Power's primary objective: the signature of the first major manufacturer supply contract since the Company was relaunched and admitted to AIM . In addition to the Volvo Powertrain agreement the Company has signed development agreements with Volvo Bus Corporation and a major global manufacturer of construction equipment.

The Company is pleased to report that progress is being made across all divisions. However, sales of our Components division have been lower than last year due to a reduction in demand from a US government defence contractor and delays in recognising revenue from our project based Emissions division. It is expected that sales will improve in the second half of the year.

Clean Air Power has three commercial divisions; Dual-Fuel™ Vehicle Installations, Components and Emissions Reduction systems.

1) Dual-Fuel™ Vehicle Installations

The core technology of the Group gives rise to Clean Air Power's patented Dual-Fuel™ system which allows a diesel engine to run on a combination of both diesel and natural gas, thereby generating significant reductions in NOx, particulate matter and CO₂ emissions as well as generating fuel cost savings for the operator.

The technology is currently available in two main variants; the interfaced product, where Clean Air Power's technology is adapted to vehicles with the manufacturers' cooperation; and the Genesis product, where the technology is adapted and retro-fitted solely by Clean Air Power under its own brand.

The first half of the year has seen sales for this division reduce by 11% compared to the period to 30 June 2009. This shortfall is due mainly to the 2009 revenue having been boosted by manufacturer' related engineering prototype development activity, such activity not being repeated in 2010.

Genesis EDGE vehicle system

The 'Genesis' system was developed specifically to be a retro-fitted solution which can be installed without the need for formal co-operation of the engine manufacturers. The solution does not interface directly with the vehicles own engine management system and around 50%-60% of the diesel normally used by the vehicle is substituted for gas. The emissions and fuel savings are therefore lower than would be expected on a fully interfaced system, but still economically attractive in the target markets.

The agreement with Volvo allowed Clean Air Power to develop its 'own brand' Genesis solution for a Volvo FM 13 Euro 5 compliant vehicle. The newly improved 'Genesis Edge' variant was introduced in June 2010, delayed due to the intense development activity that has taken place this year on the main Volvo development project for the interfaced solution.

Manufacturer Developments: Interfaced vehicle system

In this solution our Dual-Fuel™ technology is interfaced with the manufacturer's electronic engine management system and therefore requires their cooperation and maximises the reduction of emissions and fuel cost savings. We expect around 75% - 90% of the diesel normally used by the vehicle to be substituted for gas on an interfaced product.

Clean Air Power's first interfaced products were developed with Caterpillar in the US. These products have largely reached the end of their life cycle although some are still sold in Australia. The Company's activity with Volvo and Navistar is designed to apply our patented technology to develop solutions for current and future vehicles.

The Company's main strategic goal remains to work with vehicle or engine manufacturers to reach an agreement whereby our Dual-Fuel™ technology is incorporated on their vehicles as a standard option and to develop it further with their full cooperation. In this way the benefits of our technology and routes to market can be maximised.

Volvo:

The new interfaced product that Clean Air Power has developed with Volvo will feature on one of Volvo's latest Euro 5 compliant Volvo trucks. Euro 5 compliant vehicles can be sold throughout the European Union and Australia and certain other markets across the world.

In July 2010, Supply and Development Agreements, initially for five years, have been signed with Volvo Powertrain, a subsidiary of AB Volvo. This follows 3 years of close cooperation on a product development partnership and supersedes the Letter of Intent signed in January 2009. Clean Air Power's OEM product will be marketed and supported by Volvo Truck Corporation.

Incorporating Clean Air Power's Dual-Fuel™ technology into these truck engines will deliver significant greenhouse gas emission reductions and fuel cost savings compared with standard diesel engines. Additionally these Dual-Fuel™ trucks are expected to be around 30% more energy efficient than equivalent spark ignited natural gas engines. The engines can use natural or bio-gas as the main fuel and can also operate solely on diesel, an important feature as gas distribution systems face many years of development.

The testing in commercial operation will begin later this year and initially take place in UK, Sweden and Thailand. Details for commercialisation will be mutually agreed upon.

The contracts set out certain commercial and technical criteria that are to be achieved including gas substitution levels, emissions compliance, performance and durability testing before the product launch. Clean Air Power is confident that these milestones will be achieved based on its prior experience of developing its technology on Volvo and other manufacturers' engines.

Navistar:

In February 2010 Clean Air Power entered into a concept development agreement with Navistar, Inc. ("Navistar") to develop a MaxxForce 13 Natural Gas/Diesel Engine Program for the North American market. The purpose of the development program is to utilise Clean Air Power's Dual-Fuel™ combustion technology to deliver an engine that achieves the US Environmental Protection Agency (EPA) 2010 emissions standard.

Subject to a successful Concept Ready Phase, which is expected during the fourth quarter of 2010, it is intended that the agreement will then enter a second stage known as the Implementation Ready Phase before entering the third Production Ready Phase. This third phase will deliver a U.S. EPA 2010 certified engine and Navistar and Clean Air Power are planning to seek US grant funding for full production.

Focus in North America on using natural gas as a road fuel for heavy goods vehicles is increasing and natural gas is being supported by grant funding from various government departments including the Department of Energy. Additionally, the Energy Bill, as proposed, aims to extend and increase available subsidies for natural gas vehicles which would be worth more than Two Billion Dollars.

2) Components Division

Clean Air Power manufactures a number of the components that are used in the Group's Dual-Fuel™ technology. The Group sells these components for spark ignited gas engines and certain other applications. Global demand for these engines is increasing as customers are increasingly aware of the social and economic drivers towards alternative fuels. With global sales, strong margins and a customer base including international automotive manufacturers, this is an important contributor to the overall Clean Air Power business.

This business is relatively mature and tends to operate with long initial order lead times but thereafter receives regular recurring revenues from maintenance and servicing requirements in addition to the initial demand for production.

Revenue for the Components Division of £1.12m to 30 June 2010 is considerably lower than the £1.65m achieved during the same period in 2009 due to a reduction in demand from a US government defence contractor although the demand levels from other customers of the business remains generally healthy and in line with the company's expectations.

3) Emissions Reduction Division

This area of our business typically provides solutions to very large stationary diesel engines such as those used in pumping stations. Our current market is the USA providing a solution whereby the emissions from large stationary diesel engines are reduced, using Selective Catalytic Reduction technology and diesel particulate filtering, usually in response to the requirements of local legislation.

Historically this has been mainly a project based business with a few large scale contracts generating the majority of the revenue. Order lead times for this division are typically much longer than for the other divisions of the Company.

While the core business remains, during 2010 the division expanded its market by winning a significant order to supply Catalytic Converters for vehicles to Emissions Solutions Inc. (ESI). These units will be used

on 7.6L Natural Gas Engines to control emissions to will deliver sub EPA '10 emission levels for their truck and bus operating customers and has provided the Company with an entry into a potentially very significant market.

This entry into the vehicle market represents a success in the division's previously stated strategic objective to develop further revenue opportunities from smaller, more regular contracts that provide more stable revenue streams.

The year to date sales of £0.3m are lower than the £0.6m achieved for the same period to June 2009, however the division should see significant improvement during the second half of 2010 following the contract win with ESI and other orders confirmed for delivery in 2010 totalling £0.6m.

Financial Review

The six month period to 30 June 2010 has seen revenue decrease 30% to £2.3m from £3.3m in the same period in 2009. This is due mainly to a reduction in demand from a US government defence contractor and the timing of revenue in our Emissions reduction division.

The gross profit of £1.3m earned to June 2010 is lower than the £1.8m up to June 2009. The 2010 gross margin to date of 56% is higher than the 53% achieved up until June 2009. The main cause has been the increased weighting of the component and emissions businesses in the sales mix.

Operating loss increased to £1.2m representing a £0.3m increase on the £0.9m loss for the same period in 2009. This has been mainly down to reduction in sales of our components and emissions products.

The net result after tax for the period was a loss of £1.2m, a £0.2m increase on the £1.0m loss for the same period in 2009. The basic loss per share for the period was 2.1p (2009: 2.0p).

Gross receipts from the recent fundraising during September 2010 were £2.25m compared with £2.9m during 2009. The cash position as at 30 June 2010 is £1.3m compared to £2.9m as at the end of 2009.

Investments in fixed assets have increased to £0.6m for the period compared with £0.4m in the first half of 2009. The majority of these amounts relate to capitalisation of labour and expenses incurred in developing new products.

Outlook

The increase in the delta between natural gas and diesel prices and Natural Gas initiatives in the US are encouraging operators to consider alternative options to fuel their fleets of vehicles. These drivers coincide with the desire within many organisations to reduce emissions from their transport operations. The Company's existing and prospective new product offerings mean that we are well placed to capitalise on the opportunities that arise as a result of these factors.

The agreement of the Volvo contract improves the visibility of future revenues with customer trials and product validation activity planned for the second half of the year.

Our progress with Navistar brings the advent of a product for the important US market much nearer and we aim to progress from the Navistar current concept development towards a Implementation Ready Phase by the end of the year.

The revenue generated by our Emissions Division is expected to accelerate in the second half of the year as we deliver the orders in hand while Components sales are expected to remain relatively steady.

The anticipated commissioning of the LNG plant in Tasmania which, although later than anticipated, is expected to provide the impetus for an uplift in Australian sales.

The launch of our Genesis EDGE should facilitate improvements in sales of our Dual-Fuel™ products and in the UK and Europe we aim to accelerate revenues by rolling out this new product.

The recently announced fundraising coupled with progress in our manufacturer relationships have strengthened our confidence in the medium to long term prospects for the Company and we look forward to exploiting the full potential of our technology over the coming years.

John Pettitt
Chief Executive
30 September 2010

INTERIM CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2010

	Unaudited	Unaudited	Audited	
Note	6 months to 30 June 2010 £'000	6 months to 30 June 2009 £'000	Year to 31 December 2009 £'000	
Revenue	6	2,317	3,331	5,793
Cost of Sales		(1,009)	(1,558)	(2,822)
Gross profit		1,308	1,773	2,971
Administrative expenses		(2,466)	(2,630)	(5,127)
Share-based payments charge	8	(46)	(18)	(105)
Impairment charge		-	-	(55)
Operating loss		(1,204)	(875)	(2,316)
Reorganisation costs		-	(143)	(142)
Finance revenue		11	10	23
Finance costs		-	-	(1)
Loss on ordinary activities before taxation	6	(1,193)	(1,008)	(2,436)
Tax expense	5	-	(2)	-
Loss for the period		(1,193)	(1,010)	(2,436)
Basic and diluted loss per share		(2.14p)	(2.0p)	(4.75p)

All items dealt with in arriving at operating loss above relate to continuing operations.

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2010

	Unaudited 6 months to 30 June 2010 £'000	Unaudited 6 months to 30 June 2009 £'000	Audited Year to 31 December 2009 £'000
<i>Loss for the period</i>	<u>(1,193)</u>	<u>(1,010)</u>	<u>(2,436)</u>
Exchange differences on translation of foreign operations	120	(347)	(165)
Total Comprehensive loss for the period	<u>(1,073)</u>	<u>(1,357)</u>	<u>(2,601)</u>
Attributable to: Equity holders of the parent	<u>(1,073)</u>	<u>(1,357)</u>	<u>(2,601)</u>

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2010

		Unaudited 6 months to 30 June 2010	Unaudited 6 months to 30 June 2009	Audited Year to 31 December 2009
	Note	£'000	£'000	£'000
Assets				
<i>Non-current assets</i>				
Plant and equipment	7	305	393	337
Intangible assets	7	1,560	1,162	1,140
		1,865	1,555	1,477
<i>Current assets</i>				
Inventories		1,128	1,275	984
Trade and other receivables		1,211	1,897	1,540
Cash and cash equivalents	4	1,290	3,336	2,938
		3,629	6,508	5,462
TOTAL ASSETS		5,494	8,063	6,939
Equity and liabilities				
Equity attributable to equity holders of the parent				
Ordinary share capital		33	33	33
Share premium		14,083	14,043	14,048
Translation reserve		1,103	801	983
Other reserves		33,504	33,504	33,504
Accumulated loss		(44,917)	(42,450)	(43,789)
Total equity		3,806	5,931	4,779
<i>Non-current liabilities</i>				
Other payables		1	3	1
		1	3	1
<i>Current liabilities</i>				
Trade and other payables		1,009	1,600	1,178
Provisions		388	529	392
Deferred revenue		290	-	589
		1,687	2,129	2,159
Total liabilities		1,688	2,132	2,160
TOTAL EQUITY AND LIABILITIES		5,494	8,063	6,939

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Director

INTERIM CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2010

	Unaudited 6 months to 30 June 2010 £'000	Unaudited 6 months to 30 June 2009 £'000	Audited Year to 31 December 2009 £'000
Cash flows from operating activities			
Loss before taxation	(1,193)	(1,008)	(2,436)
Adjustments for:			
Net finance income	(11)	(10)	(22)
Depreciation of plant and equipment	75	75	147
Amortisation of intangibles	243	275	601
Impairment of intangibles	-	-	55
Share-based payments	46	162	105
Decrease in trade and other receivables	329	40	397
(Decrease) in trade and other payables	(169)	(108)	(532)
(Increase)/decrease in inventories	(145)	315	606
(Decrease) in provisions	(4)	(117)	(251)
(Decrease)/increase in deferred revenue	(299)	-	589
Other non-cash movements	26	-	10
Net cash outflow from operating activities	(1,102)	(376)	(731)
Investing activities			
Interest received	11	10	23
Sale of plant and equipment	-	-	-
Payments to acquire plant and equipment	(27)	(25)	(33)
Payments to acquire intangible assets	(594)	(393)	(748)
Net cash outflow from investing activities	(610)	(408)	(758)
Financing activities			
Interest paid	-	-	(1)
Proceeds from the issue of ordinary share capital	-	2,878	3,027
Share issue costs	-	(201)	(201)
Net cash inflow from financing activities	-	2,677	2,825
Increase/(decrease) in cash and cash equivalents	(1,712)	1,893	1,336
Effect of exchange rates on cash and cash equivalents	64	(183)	(24)
Cash and cash equivalents at the beginning of the year	2,938	1,626	1,626
Cash and cash equivalents at end of period	1,290	3,336	2,938

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2010

	Issued Capital £'000	Share Premium £'000	Translation Reserve £'000	Other Reserves £'000	Accumulated loss £'000	Total Equity £'000
Balance at 1 January 2009	24	11,231	1,148	33,504	(41,458)	4,449
Other comprehensive income	-	-	(347)	-	-	(347)
Loss for the period	-	-	-	-	(1,010)	(1,010)
Total comprehensive income	-	-	(347)	-	(1,010)	(1,357)
Issue of share capital	9	3,013	-	-	-	3,022
Transaction costs	-	(201)	-	-	-	(201)
Share-based payments	-	-	-	-	18	18
Balance at 30 June 2009	33	14,043	801	33,504	(42,450)	5,931
Other comprehensive income	-	-	182	-	-	182
Loss for the period	-	-	-	-	(1,426)	(1,426)
Total comprehensive income	-	-	182	-	(1,426)	(1,244)
Issue of share capital	-	5	-	-	-	5
Transaction costs	-	-	-	-	-	-
Share-based payments	-	-	-	-	87	87
Balance at 31 December 2009	33	14,048	983	33,504	(43,789)	4,779
Other comprehensive income	-	-	120	-	-	120
Loss for the period	-	-	-	-	(1,193)	(1,193)
Total comprehensive income	-	-	120	-	(1,193)	(1,073)
Issue of share capital	-	35	-	-	-	35
Transaction costs	-	-	-	-	-	-
Share-based payments	-	-	-	-	65	65
Balance at 30 June 2010	33	14,083	1,103	33,504	(44,917)	3,806

NOTES TO THE INTERIM FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The interim condensed consolidated financial statements of Clean Air Power Limited for the six months ended 30 June 2010 were authorised for issue in accordance with a resolution of the directors on 30 September 2010. Clean Air Power Limited is a public limited Company incorporated in Bermuda whose shares are publicly traded.

All of the revenues and operating assets relate to the Group's principal business activities, being vehicle conversion sales, sales of components and an emissions reduction business. Revenue is stated net of value added tax.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2010 have been prepared in accordance with IAS 34 Interim Financial Reporting.

The interim condensed consolidated financial statements are presented in sterling and all values are rounded to the nearest thousand (£'000) except when otherwise indicated.

The interim condensed consolidated financial statements do not constitute the report of the statements as defined under section 87A of the Companies Act 1981 and therefore do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2009, upon which the auditors issued an unqualified opinion.

Accounting Policies

The accounting policies adopted in preparation of the interim condensed financial statements are consistent with those followed in preparation of the Group's annual financial statements for the year ended 31 December 2009.

3. RISKS AND UNCERTAINTIES

Management identify and assess risks to the business using a common model. The Group has a number of exposures which can be summarised as follows: manufacturer co-operation; in house product development; adaptation of core technology; gas supply; regulatory framework; competition/intellectual property; additional capital requirements; employees and trading risks. These risks and uncertainties facing our business were reported in detail in the 2009 Annual Report and Accounts and all of them are monitored closely by the Group. There have been no significant changes in the Group's risk and uncertainty factors during the review period, nor are any expected for the remainder of the year.

4. Cash and cash equivalents

	Unaudited 6 months to 30 June		Audited year ended 31 December
	2010	2009	2009
	£'000	£'000	£'000
Cash at bank and in hand	1,290	3,336	2,938
	1,290	3,336	2,938

5. Income tax

The major components of income tax expense in the interim consolidated income statement are:

	Unaudited 6 months to 30 June		Audited year ended 31 December
	2010	2009	2009
	£'000	£'000	£'000
Current taxation			
Overseas tax	-	2	-
Income tax expense	-	2	-

NOTES TO THE INTERIM FINANCIAL STATEMENTS

6. Segmental analysis

Revenue by business segment:

For management purposes the Group is organised into business units based on their products and services, and has three reportable operating segments as follows:

The vehicle installations segment allows a standard diesel engine to operate on natural gas without any major changes to the engine.

The components segment designs and delivers innovative hydraulic valves and natural gas injector components for natural gas engines that enable automotive and truck manufacturers to build low-emission gasoline, natural gas and diesel vehicles that meet worldwide emissions regulations.

The emissions reduction segment offers emissions reduction solutions that reduce regulated engine emissions by post combustion after-treatment of an engine's exhaust gasses.

	Unaudited 6 months to 30 June 2010				
	Vehicle Installations	Components	Emissions Reduction	Adjustments and Eliminations	Total
Revenue					
Third party	930	1,120	267	-	2,317
Inter-segment	118	-	-	(118)	-
Total revenue	1,048	1,120	267		2,317
Results					
Depreciation and amortisation	(282)	(36)	(2)	8	(312)
Impairment	-	-	-	-	-
Segment (loss)/profit	(1,133)	34	(175)	70	(1,204)
Net finance costs	-	-	-	-	11
Tax expense					-
Net loss for the year	-	-	-	-	(1,193)
Assets					
Operating assets	1,509	1,518	631	(29)	3,629
Provisions	246	44	106	(8)	388
Operating liabilities including provisions	1,036	432	227	(8)	1,687
Other disclosures					
Capital expenditure	600	12	9	-	621

NOTES TO THE INTERIM FINANCIAL STATEMENTS

6. Segmental analysis – continued

	Unaudited 6 months to 30 June 2009				Total
	Vehicle Installations	Components	Emissions Reduction	Adjustments and Eliminations	
Revenue					
Third party	1,035	1,654	642	-	3,331
Inter-segment	37	-	-	(37)	-
Total revenue	1,072	1,654	642	(37)	3,331
Results					
Depreciation and amortisation	(285)	(63)	(3)	1	(350)
Impairment	-	-	-	-	-
Segment (loss)/profit	(885)	226	33	(249)	(875)
Reorganisation costs	-	-	-	-	(143)
Net finance costs	-	-	-	-	10
Tax expense	-	-	-	-	(2)
Net loss for the year	-	-	-	-	(1,010)
Assets					
Operating assets	2,451	2,997	1,103	(43)	6,508
Provisions	397	47	100	(15)	529
Operating liabilities including provisions	1,465	438	243	(17)	2,129
Other disclosures					
Capital expenditure	412	6	-	-	418

	Unaudited 6 months to 31 December 2009				Total
	Vehicle Installations	Components	Emissions Reduction	Adjustments and Eliminations	
Revenue					
Third party	1,813	2,897	1,083	-	5,793
Inter-segment	513	-	-	(513)	-
Total revenue	2,326	2,897	1,083	(513)	5,793
Results					
Depreciation and amortisation	(674)	(89)	(5)	7	(761)
Impairment	(55)	-	-	-	(55)
Segment (loss)/profit	(1,660)	86	(153)	(589)	(2,316)
Reorganisation costs	-	-	-	-	(142)
Net finance costs	-	-	-	-	22
Tax expense	-	-	-	-	-
Net loss for the year	-	-	-	-	(2,436)
Assets					
Operating assets	2,051	2,463	974	(26)	5,462
Provisions	265	47	100	(20)	392
Operating liabilities including provisions	1,489	435	256	(20)	2,160
Other disclosures					
Capital expenditure	795	5	-	-	800

NOTES TO THE INTERIM FINANCIAL STATEMENTS

7. Plant, equipment & intangible assets

During the six months ended 30 June 2010, the Group acquired plant and equipment with a cost of £26,707 (30 June 2009: £25,000) (31 December 2009: £33,000). Expenditure on product development for the six months ended 30 June 2010 was £594,323 (30 June 2009: £393,000) (31 December 2009: £748,000) .

8. Share-based payment

During the period the Group recognised £45,734 (30 June 2009: £17,836) (31 December 2009: £105,495) related to equity-settled share-based payments transactions.

9. Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chief Executive's Statement and the financial position of the Group is described within the statement of financial position .

In September 2010, the Company successfully agreed a £2.25m fundraising, from institutional investors, including Credit Suisse, Henderson, Fidelity, Royal Bank of Canada. As at the date of these accounts the Company has in hand either cash or binding irrevocable commitments from all investors in relation to this fundraising.

The Group has adequate financial resources together with long term relationships with a number of customers and suppliers in different countries and industries. As a result, the directors believe the Group is well placed to manage its business risks successfully despite the current economic outlook.

After making enquiries, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the interim report and financial statements.

10. Related party disclosures

The Group receives consultancy services from Hans Gunnar Folkesson, a Non-Executive Director of Clean Air Power (Bermuda) Limited and Gary Ireson, the Director of Clean Air Power Pty Ltd.

The following table provides the total amount of transactions, which have been entered into with related parties for the relevant financial year.

Hans Gunnar Folkesson	Unaudited 6 months to 30 June 2010 £'000	Unaudited 6 months to 30 June 2009 £'000	Audited year ended 31 December 2009 £'000
Services received from related parties	6	14	21
Amounts owed to related parties	-	-	-

Gary Ireson	Unaudited 6 months to 30 June 2010 £'000	Unaudited 6 months to 30 June 2009 £'000	Audited year ended 31 December 2009 £'000
Services received from related parties	22	6	24
Amounts owed to related parties	-	2	13

NOTES TO THE INTERIM FINANCIAL STATEMENTS

11. Post balance sheet events

On the 29 September 2010, Clean Air Power closed a fundraising of £2.25m; this increased the ordinary share capital to £44,319 by the creation of an additional 18,000,000 Ordinary Shares with a nominal value of US\$0.001 each and a market price of 12.5 pence per share. The difference between the consideration received of £2.25m less costs of around £0.1m, and the nominal value of the shares £11,392 has been transferred to the share premium account. As at the date of these accounts the Company has in hand either cash or binding irrevocable commitments from all investors in relation to this fundraising.

Report and Financial Information

Copies of the interim report for the Company for the period ended 30 June 2010 are to be made available on the Company's website.

CORPORATE INFORMATION

Directors

Non-Executive Chairman – Rodney Westhead # “
President & Chief Executive – John Pettitt
Financial Director – Peter Rowse
Non-Executive Director – Dr Ulrich Wöhr * + # “
Non-Executive Director – Hans Gunnar Folkesson * + # (resigned 4 August 2010)
Non-Executive Director – Bernard Lord + # “ *

* Member of the Audit Committee + Member of the Remuneration Committee # Member of the Nomination Committee “ Independent

Secretary

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INDEPENDENT REVIEW REPORT TO CLEAN AIR POWER LIMITED

Introduction

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the 6 months ended 30 June 2010 which comprises the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Interim Consolidated Statement of Financial Position, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity and the related explanatory notes I to I1. 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.

This report is made solely to the company in accordance with guidance contained in ISRE 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by 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 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 International Accounting Standard 34, "Interim Financial Reporting," as adopted by the European Union.

As disclosed in note 2, the annual financial statements of the company 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 International Accounting Standard 34, "Interim Financial Reporting," as adopted by the European Union.

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.

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 6 months ended 30 June 2010 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union.

Ernst & Young LLP
Manchester
29 September 2009