**Clean Air Power Limited**
**("Clean Air Power" or "Company")**
**Interim Results for the year to 30 June 2009**

8 September 2009

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 2009.

## Financial Highlights

- 14% increase in revenue to £3.3m (£2.9m for 6 months to June 2008)
- 29% increase in gross profit to £1.8m (£1.4m for 6 months to June 2008)
- Losses after tax reduced to £1.0m (£1.2m for 6 months to June 2008)

## Operational Highlights

- Letter of Intent with Volvo Powertrain (Volvo) to incorporate Clean Air Power's Dual-Fuel™ technology with Volvo truck engines
- Five 'Genesis' Dual-Fuel™ conversions delivered to Sainsbury's Supermarkets
- £0.50m orders received for Dual-Fuel™ conversions in Australia
- £0.60m order received by Emissions division, due for delivery in 2009
- Euro 5 Volvo Genesis product launched April 2009
- In February 2009 the fifth tranche, of £0.50m, was received under the fundraising agreement with Endeavor Capital
- In May 2009, a further £2.38m was raised from Institutional Investors

John Pettitt, Chief Executive of Clean Air Power said:

"Clean Air Power continues to deliver improved sales and bottom line results in spite of the global economic climate. However difficult trading conditions in our sector have impacted these results and we expect that these conditions will continue in the second half of the year. We have taken action to improve and manage our cash position, through the recent fundraisings and implementation of cost control measures. Our engineering team have concentrated on the interfaced Dual-Fuel™ product we are developing with Volvo and the completion of our new Euro 5 Genesis product. In July, an extension to the Letter of Intent with Volvo was signed and a formal contract is expected to be signed by early autumn of this year."

For further information, please contact:


| | |
|---|---|
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## Chief Executive's Statement

Clean Air Power made good progress during the period towards its key objective of reaching an agreement with a manufacturer to adopt the Company's patented Dual-Fuel™ technology. The signature of a Letter of Intent with Volvo Powertrain (Volvo) to commercialise the Company's technology on Volvo trucks as an integrated option (OEM equipment) is expected to lead to a formal contract being signed in the early autumn of this year.

Clean Air Power has 3 commercial divisions; Vehicle Conversions, Components and Emissions Reduction systems.

**1) Vehicle Conversions**

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 $CO_2$ emissions as well as generating fuel cost savings for the operator.

The technology is currently available in two main variants; the interfaced product currently marketed in Australia and the Genesis product marketed in Europe.

The first half of the year has seen sales for this division reduce by 53% compared to the period to 30 June 2008. This shortfall is partly due to the end of the lifecycle of two products: the Euro 3 Genesis in Europe and the C-15 ADR80/01 in Australia. In addition, the current economic climate has led to our customers reducing investment in new equipment and Caterpillar's decision to end production of the C-15 engine has adversely affected Australian sales to date and short term opportunities in Australia. Replacement products are now in place or under development to ensure improved market coverage in the future.

**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 80% of the diesel normally used by the vehicle to be substituted for gas on an interfaced product. The current product offering is certified to EPA 02 on a Caterpillar engine and can be fitted as an after-market solution to vehicles in the Australian and South American markets. It is reaching the end of its product life cycle as it can no longer be sold in the key US and European markets.

In order to address the future US market the Company is aiming to develop and certify an engine with a truck manufacturer to meet the US emissions target levels. The current strategy is to deliver a US product under a cooperation agreement with a major manufacturer although it would be possible for the Company to develop and market its own engine to address this opportunity.

Clean Air Power is developing such an interfaced solution with Volvo. The product is planned to be interfaced on one of the latest Euro 5 compliant Volvo trucks. Euro 5 vehicles can be sold throughout the European Union and Australia and certain other markets across the world.

Sales of the current interfaced solution have decreased in the first half of the year as the global economic downturn preventing a repeat of last years significant order levels. However in June 2009 the Company launched an updated version of its C-15 product in Australia and has taken orders and deposits for 12 units to be completed in the second half of 2009 with a total value around £0.5m.

**Genesis vehicle system**

The 'Genesis' system was developed specifically to be a retro-fitted product 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% 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 February 2009, Clean Air Power completed the sale of 5 Genesis conversions to Sainsbury's Supermarkets Limited. These vehicles were Euro 3 Mercedes Axor trucks and they operate using biogas produced from landfill sites which is a 100% renewable fuel providing even greater emissions savings than natural gas. Sainsbury's called this initiative 'Running on Rubbish'.

Initially, Clean Air Power has developed the Genesis solution for both DAF and Mercedes Euro 3 compliant vehicles although these product variants are almost at the end of their life cycle. In April 2009 the Company launched a Genesis solution for a Volvo Euro 5 FM13 truck which addresses the more recent emission targets in the UK and European markets and therefore has a longer life cycle.

Sales to 30 June 2009 were 7 units compared with 19 in the same period in 2008. This performance was affected by the global economic downturn, which has undoubtedly affected early sales opportunities for its new products, and the need for a solution compliant with latest Euro 5 emissions standards.

**Manufacturer Developments**

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 vehicle 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. The Group has been actively pursuing agreements with a number of top tier organisations and the signing of the Letter of Intent with Volvo represents a significant step forwards for the Company.

The Letter of Intent covers the development and commercialisation of products which will include Clean Air Power's technology and sets out the intention that they will be marketed and supported by Volvo Trucks. The products will have the Clean Air Power technology fully interfaced with the Volvo engine management system and applied to Volvo's D13 engine. This will provide the opportunity for greater levels of gas substitution than Clean Air Power's existing Genesis system, with corresponding improved emissions and fuel cost reductions.

The Letter of Intent provides for certain milestones relating to gas substitution levels, emissions compliance, performance and durability testing. 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.

Clean Air Power and Volvo engineers are currently working together to develop the products and the agreement provides for Clean Air Power to receive revenue from Volvo during the project. The first commercial products are anticipated to be available in early 2010.

While we are delighted to have made such good progress with Volvo we hope to shortly conclude the Volvo contract and, in the future, expand the product range and distribution of Clean Air Power's technology across a number of engine manufacturers worldwide.

**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.

The Components business is a mature and relatively predictable business based largely on recurring revenues.

Revenue for the Components division increased considerably during the period, which has largely contributed to the 14% increase in total sales for the Company. Sales of £1.7m to 30 June 2009 are significantly higher than the £0.4m achieved during the same period in 2008. The relocation of our San Diego based factory affected early 2008 sales as supplier recertification activity introduced production delays. This factor, along with improved demand from a number of customers in 2009 were the main causes of the significant variance as well as the appreciation of the US Dollar during the first half of 2009. This business 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.

**3) Emissions Reduction Division**

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 USA and we provide 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.

The business is mainly project based with a few large scale contracts generating the majority of the revenue. A strategy is in place to develop revenue from smaller, more regular contracts. Order lead times for this division are typically much longer than for the other divisions of the Company.

The year to date sales of £0.6m show a considerable improvement on the £0.3m achieved to June 2008. This improvement was boosted by £0.1m benefit in exchange differences due to the appreciation of the US Dollar during the first half of 2009. The order pipeline for 2009 is strong with further orders for 2009/2010 currently being negotiated.

***Financial Review***

The six month period to 30 June 2009 has seen revenue increase 14% to £3.3m from £2.9m in the same period in 2008. This was partly due to a £0.3m benefit in exchange differences due to the appreciation of the US Dollar during the first half of 2009.

The gross profit of £1.8m earned compares favourably with £1.4m up to June 2008, a 29% increase. The 2009 gross margin to date of 53% is higher than the 46% achieved up until June 2008. The main cause has been the increased weighting of the component business in the sales mix with the inclusion of additional revenue derived from product development. This combination has contributed to a reduction in the operating loss of 11% to £0.9m representing a £0.2m improvement on the £1.1m loss for the same period in 2008.

During this period we have undertaken a fundamental review of our operations in order to reduce costs and simplify our operations which will save the Company around £0.6m on an annual basis. This has resulted in one off reorganisation costs of £0.1m being incurred during the period.

The net result after tax for the period was a loss of £1.0m resulting in a £0.2m improvement on the £1.2m loss for the same period in 2008. The basic loss per share was 2.0p (2008: 4.0p).

Gross receipts from fundraising in the first half of the year were £2.9m compared with £1.0m for the same period in 2008. The cash position at the end of the year was £3.3m, compared to £1.4m at 30 June 2008

Investments in fixed assets have remained constant at £0.4m for the period compared with £0.4m in the first half of 2008. The majority of these amounts relate to capitalisation of labour and expenses incurred in developing new products.

**Outlook**

Along with the availability of credit and the general economic climate, the price of fuel and the availability of natural (or bio-) gas are significant factors affecting demand for Dual-Fuel™ products. The recent steady increase in diesel prices encourages operators to consider alternative options to reduce costs and should this trend continue it is expected to have a positive effect on customer demand.

The Board believes the discussions with Volvo will lead to a formal contract in the autumn of this year. The rate of acceleration in demand for the Dual-Fuel™ product is difficult to project under current market conditions however it is expected to significantly impact Dual-Fuel™ division sales from 2010 onwards. Furthermore, it is our intention to access the US market, as soon as possible, with a Dual-Fuel™ product and therefore another key area continues to be our ongoing activity with US operators and manufacturers focused towards a cooperation agreement for North America

We continue to be encouraged by the sales performance of our Components and Emissions divisions although we have yet to see the impact of the economic slowdown on these divisions. Components are largely dependant on sales of gas powered vehicles and Emissions on long lead time projects.

We remain confident in the medium to long term prospects for the Company and the recent equity raises coupled with recent overhead reductions have improved the current cash position.

**John Pettitt**
Chief Executive

8 September 2009

## INTERIM CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2009

| | Note | **Unaudited**<br>**6 months to 30 June 2009**<br>**£'000** | Unaudited<br>6 months to 30 June 2008<br>£'000 | Audited<br>Year to 31 December 2008<br>£'000 |
|---|---|---|---|---|
| ***Revenue*** | **6** | **3,331** | 2,926 | 6,468 |
| Cost of Sales | | **(1,558)** | (1,566) | (3,500) |
| ***Gross profit*** | | **1,773** | 1,360 | 2,968 |
| Administrative expenses | | **(2,630)** | (2,487) | (5,212) |
| Share-based payments charge | **8** | **(18)** | (10) | (32) |
| Impairment charge | | **-** | - | (114) |
| ***Operating loss*** | | **(875)** | (1,137) | (2,390) |
| Reorganisation costs | **12** | **(143)** | - | - |
| Finance revenue | | **10** | 30 | 52 |
| Finance costs | | **-** | (1) | (1) |
| ***Loss on ordinary activities before taxation*** | **6** | **(1,008)** | (1,108) | (2,339) |
| Tax expense | **5** | **(2)** | (56) | - |
| ***Loss for the period*** | | **(1,010)** | (1, 164) | (2,339) |
| Basic and diluted loss per share | | **(2.0p)** | (4.0p) | (7.05p) |

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 2009

| | Note | **Unaudited 6 months to 30 June 2009 £'000** | Unaudited 6 months to 30 June 2008 £'000 | Audited Year to 31 December 2008 £'000 |
|---|---|---|---|---|
| ***Loss for the period*** | | **(1,010)** | (1,164) | (2.339) |
| Exchange differences on translation of foreign operations | | **(347)** | 23 | 757 |
| **Total Comprehensive loss for the period** | | **(1,357)** | (1,141) | (1,582) |
| Attributable to: | | | | |
| Equity holders of the parent | | **(1,357)** | (1,141) | (1,582) |

# INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2009

| | Note | **Unaudited 6 months to 30 June 2009** | Unaudited 6 months to 30 June 2008 | Audited Year to 31 December 2008 |
|---|---|---|---|---|
| | | **£'000** | £'000 | £'000 |
| **Assets** | | | | |
| *Non-current assets* | | | | |
| Plant and equipment | **7** | **393** | 410 | 494 |
| Intangible assets | **7** | **1,162** | 684 | 1,161 |
| | | **1,555** | 1,094 | 1,655 |
| *Current assets* | | | | |
| Inventories | | **1,275** | 1,630 | 1,590 |
| Trade and other receivables | | **1,897** | 841 | 1,937 |
| Cash and cash equivalents | **4** | **3,336** | 1,428 | 1,626 |
| | | **6,508** | 3,899 | 5,153 |
| **TOTAL ASSETS** | | **8,063** | 4,993 | 6,808 |
| **Equity and liabilities** | | | | |
| Equity attributable to equity holders of the parent | | | | |
| Ordinary share capital | **9** | **33** | 18 | 24 |
| Share premium | **9** | **14,043** | 9,796 | 11,231 |
| Translation reserve | | **801** | 414 | 1,148 |
| Other reserves | | **33,504** | 33,504 | 33,504 |
| Accumulated loss | | **(42,450)** | (40,305) | (41,458) |
| **Total equity** | | **5,931** | 3,427 | 4,449 |
| *Non-current liabilities* | | | | |
| Other payables | | **3** | 7 | 3 |
| | | **3** | 7 | 3 |
| *Current liabilities* | | | | |
| Trade and other payables | | **1,600** | 1,104 | 1,710 |
| Provisions | | **529** | 455 | 646 |
| | | **2,129** | 1,559 | 2,356 |
| **Total liabilities** | | **2,132** | 1,566 | 2,359 |
| **TOTAL EQUITY AND LIABILITIES** | | **8,063** | 4,993 | 6,808 |

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**Director**

# INTERIM CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2009

| | **Unaudited 6 months to 30 June 2009** | Unaudited 6 months to 30 June 2008 | Audited Year to 31 December 2008 |
|---|---|---|---|
| | **£'000** | £'000 | £'000 |
| **Cash flows from operating activities** | | | |
| **Loss before taxation** | **(1,008)** | (1,108) | (2,339) |
| Adjustments for: | | | |
| Net finance income | **(10)** | (29) | (51) |
| Depreciation of plant and equipment | **75** | 51 | 115 |
| Amortisation of intangibles | **275** | 275 | 397 |
| Impairment of intangibles | **-** | - | 114 |
| Share-based payments | **162** | 10 | 32 |
| Decrease in trade and other receivables | **40** | 794 | 75 |
| (Decrease) in trade and other payables | **(108)** | (702) | (532) |
| Decrease/(increase) in inventories | **315** | (142) | 164 |
| (Decrease)/increase in provisions | **(117)** | 17 | 208 |
| **Net cash outflow from operating activities** | **(376)** | (834) | (1,817) |
| **Investing activities** | | | |
| Interest received | **10** | 30 | 52 |
| Sale of plant and equipment | **-** | 35 | - |
| Payments to acquire plant and equipment | **(25)** | (212) | (320) |
| Payments to acquire intangible assets | **(393)** | (244) | (824) |
| **Net cash outflow from investing activities** | **(408)** | (391) | (1,092) |
| **Financing activities** | | | |
| Interest paid | **-** | (1) | (1) |
| Proceeds from the issue of ordinary share capital | **2,878** | 1,000 | 2,500 |
| Share issue costs | **(201)** | (183) | (242) |
| **Net cash inflow from financing activities** | **2,677** | 816 | 2,257 |
| **Increase/(decrease) in cash and cash equivalents** | **1,893** | (409) | (652) |
| Effect of exchange rates on cash and cash equivalents | **(183)** | 23 | 464 |
| Cash and cash equivalents at the beginning of the year | **1,626** | 1,814 | 1,814 |
| **Cash and cash equivalents at end of period** | **3,336** | 1,428 | 1,626 |

# INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2009

| | Issued Capital £'000 | Share Premium £'000 | Translation Reserve £'000 | Other Reserves £'000 | Accumulated loss £'000 | Total Equity £'000 |
|---|---|---|---|---|---|---|
| **Balance at 1 January 2008** | **15** | **8,982** | **391** | **33,504** | **(39,151)** | **3,741** |
| Other comprehensive income | - | - | 23 | - | - | 23 |
| Loss for the period | - | - | - | - | (1,164) | (1,164) |
| Total comprehensive income | - | - | 23 | - | (1,164) | (1,141) |
| Issue of share capital | 3 | 997 | - | - | - | 1,000 |
| Transaction costs | - | (183) | - | - | - | (183) |
| Share-based payments | - | - | - | - | 10 | 10 |
| **Balance at 31 June 2008** | **18** | **9,796** | **414** | **33,504** | **(40,305)** | **3,427** |
| Other comprehensive income | - | - | 734 | - | - | 734 |
| Loss for the period | - | - | - | - | (1,175) | (1,175) |
| Total comprehensive income | - | - | 734 | - | (1,175) | (441) |
| Issue of share capital | 6 | 1,494 | - | - | - | 1,500 |
| Transaction costs | - | (59) | - | - | - | (59) |
| Share-based payments | - | - | - | - | 22 | 22 |
| **Balance at 31 December 2008** | **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 | 2,869 | - | - | - | 2,878 |
| Transaction costs | - | (201) | - | - | - | (201) |
| Share-based payments | - | 144 | - | - | 18 | 162 |
| **Balance at 30 June 2009** | **33** | **14,043** | **801** | **33,504** | **(42,450)** | **5,931** |

# 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 2009 were authorised for issue in accordance with a resolution of the directors on 8 September 2009. 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 2009 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 2008, 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 2008, except for the adoption of new Standards and Interpretations as of 1 January 2009, noted below:

### IFRS 2 – *Share-based Payment – Vesting Conditions and Cancellations*

The Standard has been amended to clarify the definition of vesting conditions and to prescribe the accounting treatment of an award that is effectively cancelled because of non-vesting condition is not satisfied. The adoption of this amendment did not have any impact on the position or performance of the Group.

### IFRS 7 – Financial Instruments: Disclosures

The amended standard requires additional disclosure about fair value measurement and liquidity risk. Fair value measurements are to be disclosed by source of inputs using a three level hierarchy for each class of financial instrument. In addition, reconciliation between the beginning and ending balance for Level 3 fair value measurements is now required, as well significant transfers between Level 1 and Level 2 fair value measurements. The amendments also clarify the requirement for liquidity risk disclosures.

### IFRS 8 – Operating Segments

This standard requires disclosure of information about the Group's operating segments and replaces the requirement to determine primary and secondary reporting segments of the Group. Adoption of this standard did not have any effect on the financial position or performance of the Group. The Group determined that the operating segments were the same as the business segments previously identified under IAS 14 Segment Reporting. Additional disclosure are shown in Note 6.

### IAS 1 - Revised Presentation of Financial Statements

The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the Standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements.

**IAS 23 – Borrowing Costs (Revised)**

The standard has been revised to require capitalisation of borrowing costs on qualifying assets and the Group has amended its accounting policy accordingly. No borrowing costs have been incurred during the period.

**IAS 32 Financial Instruments: Presentations and IAS 1 Puttable Financial Instruments and Obligations Arising on Liquidation**

The standards have been amended to allow a limited scope exception for puttable financial instruments to be classified as equity if they fulfil a number of specified criteria. The adoption of these amendments did not have any impact on the financial position or performance of the Group.

## 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 2008 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** |
|---|---|---|---|
| | **2009** | 2008 | 2008 |
| | **£'000** | £'000 | £'000 |
| Cash at bank and in hand | **3,336** | 1,428 | 1,626 |
| | **3,336** | 1,428 | 1,626 |

## 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** |
|---|---|---|---|
| | **2009** | 2008 | 2008 |
| | **£'000** | £'000 | £'000 |
| **Current taxation** | | | |
| Overseas tax | **2** | 56 | - |
| **Income tax expense** | **2** | 56 | - |

## 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 conversions 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.

## 6. Segmental analysis - continued

| | Unaudited 6 months to 30 June 2009 | | | | |
|---|---|---|---|---|---|
| | Vehicle Conversions | Components | Emissions Reduction | Adjustments and Eliminations | Total |
| **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) |
| Segment (loss)/profit | (1,028) | 226 | 33 | (249) | (1,018) |
| Net finance costs | - | - | - | - | 10 |
| Tax expense | | | | | (2) |
| Net loss for the year | - | - | - | - | (1,010) |
| **Assets** | | | | | |
| Capital expenditure | 412 | 6 | - | - | 418 |
| Non-current assets | 1,316 | 242 | 11 | (14) | 1,555 |
| Current 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 |

1. Inter-segment revenues are eliminated on consolidation.
2. Adjustments and eliminations relate to consolidation eliminations and Holding Company items.

| | Unaudited 6 months to 30 June 2008 | | | | |
|---|---|---|---|---|---|
| | Vehicle Conversions | Components | Emissions Reduction | Adjustments and Eliminations | Total |
| **Revenue** | | | | | |
| Third party | 2,197 | 403 | 326 | - | 2,926 |
| Inter-segment | 1,065 | - | - | (1,065) | - |
| Total revenue | 3,262 | 403 | 326 | (1,065) | 2,926 |
| **Results** | | | | | |
| Depreciation and amortisation | (312) | (12) | (4) | 2 | (326) |
| Segment (loss)/profit | (1,063) | 15 | (76) | (13) | (1,137) |
| Net finance costs | - | - | - | - | 29 |
| Tax expense | - | - | - | - | (56) |
| Net loss for the year | - | - | - | - | (1,164) |
| **Assets** | | | | | |
| Capital expenditure | 380 | 76 | - | - | 456 |
| Non-current assets | 947 | 129 | 23 | (5) | 1,094 |
| Current assets | 2,970 | 818 | 246 | (135) | 3,899 |
| Provisions | 430 | 16 | 46 | (37) | 455 |
| Operating liabilities including provisions | 1,236 | 140 | 205 | (22) | 1,559 |

1. Inter-segment revenues are eliminated on consolidation.
2. Adjustments and eliminations relate to consolidation eliminations and Holding Company items.

## 6. Segmental analysis - continued

| | Audited year ended 31 December 2008 | | | | |
|---|---|---|---|---|---|
| | **Vehicle Conversions** | **Components** | **Emissions Reduction** | **Adjustments and Eliminations** | **Total** |
| **Revenue** | | | | | |
| Third party | 3,350 | 2,070 | 1,048 | - | 6,468 |
| Inter-segment | 1,528 | - | - | (1,528) | - |
| Total revenue | 4,878 | 2,070 | 1,048 | (1.528) | 6,468 |
| **Results** | | | | | |
| Depreciation and amortisation | (384) | (121) | (7) | | (512) |
| Segment (loss)/profit | (2,397) | 207 | (45) | (155) | (2,390) |
| Net finance costs | - | - | - | - | 51 |
| Tax expense | - | - | - | - | - |
| Net loss for the year | - | - | - | - | (2,339) |
| **Assets** | | | | | |
| Capital expenditure | 934 | 210 | - | - | 1,144 |
| Non-current assets | 1,399 | 260 | 11 | (15) | 1,655 |
| Current assets | 2,886 | 1,654 | 675 | (62) | 5,513 |
| Provisions | 537 | 35 | 94 | (20) | 646 |
| Operating liabilities including provisions | 1,486 | 524 | 366 | (20) | 2,356 |

1. Inter-segment revenues are eliminated on consolidation.
2. Adjustments and eliminations relate to consolidation eliminations and Holding Company items.

## 7. Plant, equipment & intangible assets

During the six months ended 30 June 2009, the Group acquired plant and equipment with a cost of £25,000 (30 June2008: £212,000) (31 December 2008: £320,000). Expenditure on product development for the six months ended 30 June 2009 was £393,000 ( 30 June 2008: £244,000) (31 December 2008: £824,000) .

## 8. Share-based payment

On 19 June 2009, 566,066 shares were awarded with a market value of £144,347 to the Senior Management in lieu of cash bonuses that had been earned under the Company's Senior Management 2008 bonus scheme. The Directors, along with other senior managers in the scheme have agreed to hold the shares for a minimum of twelve months.

During the period the Group recognised £17,836 (30 June 2007: £9,859) related to equity-settled share-based payments transactions.

## 9. Financing

On 7 April 2008 the Company's shareholders at a Special General Meeting approved a private financing package with Endeavor Capital Management LLC and certain other investors to provide additional funds for the Company.

Financing details

The financing package was designed to provide proceeds of up to £5.0m for the Company between April 2008 and June 2009. Endeavor, a longstanding and major shareholder in the Company, currently holding 18.5% of the Company's shares, agreed to provide up to £4.65m of the new funds. The remainder of the £5m was provided by another institutional investor which invested £0.25m and the Company's management which invested a further £0.10m.

The funds have been received as follows:

On 22 April 2008, the first tranche of £1.0m was received; this increased the ordinary share capital to £18,135 by the creation of an additional 5,714,343 Ordinary Shares with a nominal value of $US0.001 each and a market price of 17.5 pence per share. The difference between the consideration received of £1 million less costs of £0.183 million, and the nominal value of the shares £2,900 has been transferred to the share premium account.

On 8 July 2008, the second tranche of £0.5m was received; this increased the ordinary share capital to £19,505 by the creation of an additional 2,699,055 Ordinary Shares with a nominal value of $US0.001 each and a market price of 18.525 pence per share. The difference between the consideration received of £0.5 million less costs of £0.025 million, and the nominal value of the shares £1,370 has been transferred to the share premium account.

## 9. Financing - continued

On 9 October 2008, the third tranche of £0.5m was received; this increased the ordinary share capital to £21,296 by the creation of an additional 3,125,000 Ordinary Shares with a nominal value of $US0.001 each and a market price of 16 pence per share. The difference between the consideration received of £0.5 million less costs of £0.025 million, and the nominal value of the shares £1,791 has been transferred to the share premium account.

On 12 December 2008, the fourth tranche of £0.5m was received; this increased the ordinary share capital to £23,808 by the creation of an additional 3,746,761 Ordinary Shares with a nominal value of $US0.001 each and a market price of 13.3 pence per share. The difference between the consideration received of £0.5 million less costs of £0.025 million, and the nominal value of the shares £2,512 has been transferred to the share premium account.

On 6 February 2009, the fifth tranche of £0.5m was received; this increased the ordinary share capital to £25,951 by the creation of an additional 2,143,272 Ordinary Shares with a nominal value of $US0.001 each and a market price of 23.3 pence per share. The difference between the consideration received of £0.5 million less costs of £0.025 million, and the nominal value of the shares £2,143 has been transferred to the share premium account.

In May 2009, the Company successfully raised a further £2.38m was received; this increased the ordinary share capital to £32,799 by the creation of an additional 10,883,706 Ordinary Shares with a nominal value of $US0.001 each and a market price of 21.8 pence per share. The difference between the consideration received of £2.38million less costs of £0.133 million, and the nominal value of the shares £7,146 has been transferred to the share premium account.

For every two common shares subscribed for pursuant to the financing package, the Company issued a warrant for the purchase of one additional common share, exercisable within three years, with an exercise price at a 40% premium to the issue price.

Endeavor was required to participate in each of the six tranches of the financing package, with the other institutional investor and management only investing in the first tranche. Depending on the movement in the share price prior to the closing of each tranche, and the exercise of the latter three tranches, Endeavor may acquire a majority interest in the Company.

The Company Bye-laws incorporate by reference various provisions of the City Code, including Rule 9 of the City Code. However, this requirement may be waived by an independent vote at a meeting of the Company shareholders and, consequently, a resolution, with regards to acquisition of Ordinary Shares by Endeavor or its Affiliates, was passed at a Special General Meeting.

The terms of the above finance package have now been complete.

## 10. 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 cash flow statement.

In May 2009, the Company successfully raised a further £2.38m, from institutional investors, including Endeavor Capital, thereby completing the terms of the finance package.

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.

## 11. 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** | **Unaudited 6 months to 30 June** | **Audited year ended 31 December** |
|---|---|---|---|
| | **2009** | **2008** | **2008** |
| | **£'000** | £'000 | £'000 |
| Services received from related parties | **14** | 14 | 25 |
| Amounts owed to related parties | **-** | - | - |

| Gary Ireson | **Unaudited 6 months to 30 June** | **Unaudited 6 months to 30 June** | **Audited year ended 31 December** |
|---|---|---|---|
| | **2009** | **2008** | **2008** |
| | **£'000** | £'000 | £'000 |
| Services received from related parties | **6** | 22 | 22 |
| Amounts owed to related parties | **2** | - | 1 |

## 12. Reorganisation costs

During this period we have undertaken a fundamental review of our operations in order to reduce costs and simplify our operations. This has resulted in one off reorganisation charge of £143,000 being incurred during the period.

## Report and Financial Information

Copies of the interim report for the Company for the period ended 30 June 2009 are to be made available on the Company's website.