Clean Air Power Limited
(“Clean Air Power” or “Company”)
Interim Results for the six month period ended 30 June 2012

10 September 2012

Clean Air Power Limited (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 2012.

Financial Highlights

- Revenue for the period increased substantially by 86% to £3.9m (2011: £2.1m)
- Revenue in Dual-Fuel™ increased by 136% to £3.3m (2011: £1.4m) driven by vehicle system sales and product development revenue
- Gross profit for the period up 75% to £2.1m (2011: £1.2m)
- Loss after tax for the period: £0.6m (2011: £1.3m)
- Gross margin for the period: 54% (2011: 57%)

Operational Highlights

- Major European Manufacturer commenced factory production of Heavy Duty trucks incorporating Clean Air Power Dual-Fuel™ technology
- Order received for 27 Genesis-EDGE Dual-Fuel™ systems to a major logistics company in the UK
- Order received for 49 Genesis-EDGE Dual-Fuel™ systems to Sainsbury’s supermarkets
- Successful development and launch of Renault Magnum Genesis-EDGE Dual-Fuel™ variant for the European market
- Payment received from Navistar for $1.3m for work done in 2010 on the Concept Ready Phase of a Dual-Fuel™ development project

Post Period End

- Order received to deliver a minimum of 50 Renault Magnum Genesis-EDGE Dual-Fuel™ systems
- Evaluation of Genesis-EDGE product for the North American product produces positive results.

John Pettitt, Chief Executive of Clean Air Power said:

“The start of production of the European OEM product, incorporating our Dual-Fuel™ technology is the most significant commercial achievement in the history of Clean Air Power. We are already seeing significant and growing interest and demand for the European OEM product as well as for our own Genesis-EDGE branded product. The success of our Genesis-EDGE product in Europe has encouraged us to look to enter the exciting US market with initial evaluation producing positive results. The programme is on schedule for a Genesis-EDGE product with trucks in operation in late 2013 with trucks in production in early 2014.

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Chief Executive's Statement

In January 2012, our major European OEM customer commenced factory production of a Dual-Fuel™ truck incorporating Clean Air Power's technology. It has long been Clean Air Power's objective to be incorporated on a major manufacturer's OEM platform. Traction in the European market is increasing, driven by customer demand. The order bank is growing, new product variants are being launched and new markets are under consideration. Despite the successful launch in January, there was a short term unavoidable break in production during the spring. This was due to the need for product variants for the Swedish and Dutch markets which have now been completed but we are encouraged that production has now recommenced in our customer's factory at an increased rate in order to address their customers' demand.

Clean Air Power's 'Genesis-EDGE' product in Europe is also gaining significant momentum due to the compelling drivers in the market place. The price of oil and the continued focus on reducing emissions is contributing to an increased focus and interest in the Dual-Fuel™ product. We have received and delivered 27 orders to a major logistics company and also received orders from Sainsbury's supermarkets for 49 systems during the first half of 2012. The Company also developed and launched a new 'Genesis-EDGE' product for a customer in Europe to meet demand using a Renault Magnum and have taken 50 advance orders. We continue to work with and focus on major fleet operators to demonstrate the benefits of Clean Air Power's Dual-Fuel™ products.

In the US significant market demand has been publicly expressed for a Dual-Fuel product with Clean Air Power, although OEM decision making process continues to be very protracted. It was recently announced that Navistar had changed their diesel strategy, has instigated a major management restructure and the Chief Executive has retired. The Directors of Clean Air Power can have no certainty as to the outcome or effect of these changes.

Therefore following the success of our own Genesis-EDGE product in Europe, and with a motivation to access the US market without further undue delay, we have decided to launch a Genesis-EDGE product in the US while in parallel continuing discussions with US manufacturers. A technical feasibility study has been completed, and a clear product development plan targeting a product first production in early 2014 has been put in place. The 18 month product development plan will require some updating of our test cell facilities along with certain other investments. The US Class 8 market is larger than the whole of Europe and we are currently evaluating distribution options. The relatively low cost of natural gas in North America is a compelling factor driving customer demand for natural gas vehicles and reduces the reliance on oil from the Middle East, a key objective for the US Government.

Group Structure

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

1) Dual-Fuel™ Vehicle Systems

Clean Air Power's patented Dual-Fuel™ system allows a diesel engine to run on a combination of 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 OEM product, where Clean Air Power's technology is incorporated into vehicles with the manufacturer's cooperation; and the Genesis-EDGE product, where the technology is added as an after market solution by Clean Air Power under its own brand.

There are three revenue streams derived from this division:

- Sales of Dual-Fuel™ systems to manufacturers for installation on their production lines
- Complete Dual-Fuel™ system conversions on a customer's vehicle on an after market basis carried out by Clean Air Power or its agents
- Revenue from engineering services provided to manufacturers or third parties

The first half of this year has seen sales for this division increase by 136% to £3.3m (2011: £1.4m). This increase is due mainly to higher sales of our European OEM interfaced systems, sales of Genesis-EDGE systems in the UK and engineering services provided in the US.

Interfaced OEM Product

The Company's European OEM customers interfaced Euro 5 compliant product incorporating Clean Air Power's Dual-Fuel™ technology commenced factory production in January 2012, with initial markets of UK, Sweden and the Netherlands. The vehicles are produced, marketed and supported by the manufacturer.

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 approximately 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 infrastructure is immature in most markets.

Euro 5 compliant vehicles will be sold throughout the European Union until the end of 2013 when they will be superseded by Euro 6 compliant engines. Australia & the BRIC countries will be using Euro 5 compliant trucks for several more years.

The Company has held discussions with manufacturers regarding the development of a Dual-Fuel™ solution for vehicles compliant with the Euro 6 emissions regulations.

Genesis-EDGE Vehicle System

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

The Company has received orders from a major logistics company for 27 systems and 49 systems for Sainsbury's during the first half of 2012. The Company has also successfully developed a new variant of the product, using a Renault Magnum 13 litre truck to meet demand from a new customer in Spain.

Following the launch of the Genesis EDGE product in Australia last year it has been necessary to carry out additional product development to deal with the specific operational demands of the market place which we anticipate will be completed in quarter 4 of 2012.

In total, 100 systems have been delivered in the first half of 2012 being a mixture of OEM and Genesis EDGE.

2) Components Division

This division designs and delivers innovative hydraulic valves, natural gas injectors and filters for natural gas engines. These components enable automotive and engine manufacturers to build low-emission spark ignited natural gas vehicles that meet worldwide emissions regulations.

This business is relatively mature and supplies manufacturers with parts for their engine production. In addition there are recurring revenues from maintenance and servicing requirements. Sales for 2012 are in line with expectations at £0.5m, being £0.1m lower than the same period last year to June 2011 which had been anticipated. Orders already received for delivery in the second half of 2012 are £0.4m.

3) Emissions Reduction Division

This division provides systems for large stationary engines incorporating catalysed substrates supplied by specialist manufacturers and can be integrated during the initial installation or retro-fitted to older existing engines and plants.

This division also supplies catalytic converters for vehicles. These units have been used on 7.6L natural gas engines to control emissions to deliver sub EPA2010 emission levels for their truck and bus operating customers.

The year to date sales are lower than expected due to performance issues with the base spark ignited natural gas engine which was manufactured by our customer. The Board does not expect to receive any further orders for this product in the foreseeable future.

Financial Review

Sales for the first six months in our key Dual-Fuel™ division have significantly outperformed last year. Sales of our Components Division are in line with expectations while the smaller Emissions Reduction Division has seen sales lower than expected following delays in obtaining orders from a key customer.

The six month period to 30 June 2012 has seen revenue increase substantially to £3.9m from £2.1m for the same period in 2011. This has been due mainly to a strong performance in our Dual-Fuel™ vehicle systems division which includes revenue from engineering development.

Gross profit increased to £2.1m from £1.2m in June 2011, whilst gross margin fell slightly to 54% (2011:57%).

Operating loss reduced to £0.6m representing a £0.7m improvement on the £1.3m loss for the same period in 2011. This is due mainly to the increase in sales of Dual-Fuel™ vehicle systems.

The net result after tax for the period was a loss of £0.6m, a £0.7m decrease on the £1.3m loss for the same period in 2011. The basic loss per share for the period was 0.44p (2011: 1.67p).

Investments in fixed assets were £0.7m for the period compared with £1.0m in the first half of 2011. The majority of these amounts relate to capitalisation of labour and expenses incurred in developing new products.

The cash position as at 30 June 2012 was £1.5m compared with £2.4m as at the end of 2011.

The cash position is lower than had been expected, mainly due to slower sales of our Genesis-EDGE product in Australia and the break in production with the European manufacturer as discussed above. Consequently the Board are considering further financing options to ensure that it can meet its future working capital requirements and these are discussed in note 2.

Outlook

The first half of 2012 has been the most successful for the Company since its IPO in 2006. The commencement of factory production of the European OEM product, good sales of Genesis-EDGE units in the UK market and successful development of Renault Magnum product variant for the European market in our Dual-Fuel™ division provide three strong revenue streams.

Orders in hand and indications from customers suggest that performance in each of these areas will remain strong during the second half of the year.

In the US the continuing delta between the price of diesel and that of domestically produced natural gas is encouraging operators and manufacturers to consider alternative options to fuel their vehicles. Adoption of natural gas as a road fuel is rapidly increasing driven by financial and energy security factors.

The decision to develop a variant of our Genesis-EDGE product for the important US market puts the control and timing of a US product launch back into the hands of the Company. Following the conclusion of our initial evaluation study this development activity will require the upgrading of some of our facilities and is expected to take around 12 months.

In parallel to this internal product development we will continue discussions with manufacturers and developers in relation to future products compliant with Euro 6 and US2010 emissions regulations.

Components sales are expected to remain in line with expectations as the year progresses and management focus will be maintained in these areas as the Dual-Fuel™ division sales continue the excellent growth.

We are delighted to see the success of our Dual-Fuel™ products validating the product development activity and the strategy pursued in recent years. The Company's focus on OEM level quality and cost control remain unchanged With our technology now adopted by and proven with a major European truck manufacturer and industry leading logistics operators in the UK, we have increased confidence in our ability to access new markets, fully exploit existing markets and develop new products in the future.

John Pettitt
Chief Executive
10 September 2012

INTERIM CONSOLIDATED INCOME STATEMENT

	Note	**Unaudited** **6 months to 30 June 2012** **£'000**	Unaudited 6 months to 30 June 2011 £'000	Audited Year to 31 December 2011 £'000
Revenue	**6**	**3,863**	2,067	4,585
Cost of sales		**(1,775)**	(904)	(2,022)
Gross profit		**2,088**	1,163	2,563
Administrative expenses		**(2,672)**	(2,448)	(4,668)
Exceptional items	**10**	**(77)**	-	-
Share-based payments charge	**8**	**(13)**	(58)	(140)
Operating loss		**(674)**	(1,343)	(2,245)
Finance revenue		**2**	4	5
Loss on ordinary activities before taxation	**6**	**(672)**	(1,339)	(2,240)
Tax expense	**5**	**-**	-	-
Loss for the period		**(672)**	(1,339)	(2,240)
Basic and diluted loss per share		**(0.50p)**	(1.67p)	(2.13p)

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited **6 months to 30 June 2012** **£'000**	Unaudited 6 months to 30 June 2011 £'000	Audited Year to 31 December 2011 £'000
Loss for the period	**(672)**	(1,339)	(2,240)
Exchange differences on translation of foreign operations	**(19)**	(88)	(9)
Total comprehensive loss for the period	**(691)**	(1,427)	(2,249)
Attributable to:			
Equity holders of the parent	**(691)**	(1,427)	(2,249)

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**Unaudited as at 30 June 2012 £'000**	Unaudited as at 30 June 2011 £'000	Audited as at 31 December 2011 £'000
Assets				
Non-current assets				
Plant and equipment	**7**	**191**	232	190
Intangible assets	**7**	**3,994**	3,063	3,839
		4,185	3,295	4,029
Current assets				
Inventories		**1,093**	1,033	670
Trade and other receivables		**1,082**	1,139	816
Cash and cash equivalents	**4**	**1,532**	2,196	2,422
		3,707	4,368	3,908
TOTAL ASSETS		**7,892**	7,663	7,937
Equity and liabilities				
Equity attributable to equity holders of the parent				
Ordinary share capital		**83**	57	83
Share premium		**19,160**	17,677	19,160
Translation reserve		**1,056**	996	1,075
Other reserves		**33,504**	33,504	33,504
Accumulated loss		**(48,258)**	(46,780)	(47,599)
Total equity		**5,545**	5,454	6,223
Non-current liabilities				
Other payables		**7**	-	-
		7	-	-
Current liabilities				
Trade and other payables		**1,929**	1,264	1,027
Provisions		**342**	366	393
Deferred revenue		**69**	579	294
		2,340	2,209	1,714
TOTAL LIABILITIES		**2,347**	2,209	1,714
TOTAL EQUITY AND LIABILITIES		**7,892**	7,663	7,937

Director

INTERIM CONSOLIDATED CASH FLOW STATEMENT

	Unaudited 6 months to 30 June 2012 £'000	Unaudited 6 months to 30 June 2011 £'000	Audited Year to 31 December 2011 £'000
Cash flows from operating activities			
Loss before taxation	**(672)**	(1,339)	(2,240)
Adjustments for:			
Net finance income	**(2)**	(4)	(5)
Depreciation of plant and equipment	**55**	59	119
Amortisation of intangibles	**505**	133	311
Impairment	**8**	-	-
Share-based payments	**13**	58	140
(Increase)/decrease in trade and other receivables	**(266)**	203	526
Increase/(decrease) in trade and other payables	**902**	132	(105)
(Increase)/decrease in inventories	**(424)**	(194)	169
Decrease in provisions	**(51)**	(95)	(67)
(Decrease)/increase in deferred revenue	**(225)**	422	137
Other non-cash movements	**5**	18	4
Net cash outflow from operating activities	**(152)**	(607)	(1,011)
Investing activities			
Interest received	**2**	4	5
Payments to acquire plant and equipment	**(52)**	(31)	(49)
Disposal of plant and equipment	**-**	-	4
Payments to acquire intangible assets	**(699)**	(1,033)	(1,915)
Net cash outflow from investing activities	**(749)**	(1,060)	(1,955)
Financing activities			
Proceeds from the issue of ordinary share capital	**-**	1,526	3,129
Share issue costs	**-**	(55)	(149)
Net cash inflow from financing activities	**-**	1,471	2,980
Decrease in cash and cash equivalents	**(901)**	(196)	14
Effect of exchange rates on cash and cash equivalents	**11**	(18)	(2)
Cash and cash equivalents at the beginning of the period	**2,422**	2,410	2,410
Cash and cash equivalents at end of period	**1,532**	2,196	2,422

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2012

	Issued Capital £'000	Share Premium £'000	Translation Reserve £'000	Other Reserves £'000	Accumulated loss £'000	Total Equity £'000
Balance at 1 January 2011	**44**	**16,219**	**1,084**	**33,504**	**(45,499)**	**5,352**
Other comprehensive income	-	-	(88)	-	-	(88)
Loss for the period	-	-	-	-	(1,339)	(1,339)
Total comprehensive income	-	-	(88)	-	(1,339)	(1,427)
Issue of share capital	13	1,513	-	-	-	1,526
Share issuance costs	-	(55)	-	-	-	(55)
Share-based payments	-	-	-	-	58	58
Balance at 30 June 2011	**57**	**17,677**	**996**	**33,504**	**(46,780)**	**5,454**
Other comprehensive income	-	-	79	-	-	79
Loss for the period	-	-	-	-	(901)	(901)
Total comprehensive income	-	-	79	-	(901)	(822)
Issue of share capital	26	1,577	-	-	-	1,603
Share issuance costs	-	(94)	-	-	-	(94)
Share-based payments	-	-	-	-	82	82
Balance at 31 December 2011	**83**	**19,160**	**1,075**	**33,504**	**(47,599)**	**6,223**
Other comprehensive income	-	-	(19)	-	-	(19)
Loss for the period	-	-	-	-	(672)	(672)
Total comprehensive income	-	-	(19)	-	(672)	(691)
Share-based payments	-	-	-	-	13	13
Balance at 30 June 2012	**83**	**19,160**	**1,056**	**33,504**	**(48,258)**	**5,545**

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 2012 were authorised for issue in accordance with a resolution of the directors on 10 September 2012. 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

These interim condensed consolidated financial statements for the six months ended 30 June 2012 have been prepared in accordance with IAS 34 Interim Financial Reporting; and using the recognition and measurement principles of International Accounting Standards, International Financial Reporting Standards and Interpretations adopted for use in the European Union (collectively 'Adopted IFRS').

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 are unaudited and do not constitute statutory accounts 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 financial statements as at 31 December 2011. The financial information for the preceding year is based on the Group's financial statements for the year ended 31 December 2011 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 2011.

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. As described in the Chief Executive's review, the Company has experienced delays in decisions of US OEMs and lower sales for its Genesis-EDGE product in Australia due to product application development issues. In the short to medium term, the Group plans to develop its 'Genesis-EDGE' product to meet the demand for the US market and is working towards completing the product application development for the Australian market. The Board recently announced the successful results of the US Genesis product validation and will embark on a development program in the next month. This will allow the Group to offer an after market solution in the US whilst OEM discussions continue.

The Company's ability to meet its future working capital requirements is dependent on it being able to generate significant revenues and/or successfully conclude financing options. The Company's business plan required funds to be generated from a US product development contract or alternatively equity would be required. It is unlikely that the issues giving rise to the delays in OEM decisions will be resolved in the short term and therefore the Company will require further funding. The directors have prepared projections of the trading results for the foreseeable future which they consider to be prudent. The directors will pursue further short and medium term financing options and, following discussions with Company's brokers and the recent commercial successes, are confident that appropriate solutions can be found.

In the absence of firm commitments in relation to these financing options, the Directors have concluded that these circumstances represent a material uncertainty that casts doubt upon the Company's ability to continue as a going concern and therefore the Company may be unable to realise its assets and discharge its liabilities in the normal course of business. Nevertheless the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis of accounting in preparing the condensed set of financial statements in the half-yearly financial report.

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 2011 Annual Report and Accounts and all of them are monitored closely by the Group's Management Board.

4. CASH AND CASH EQUIVALENTS

	Unaudited as at 30 June		**Audited as at 31 December**
	2012	2011	2011
	£'000	£'000	£'000
	1,532	2,196	2,422
Cash at bank and in hand	**1,532**	2,196	2,422

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
	2012	2011	2011
	£'000	£'000	£'000
Current taxation			
Overseas tax	**-**	-	-
Income tax expense	**-**	-	-

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 Dual-Fuel™ 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.

	Period ended 30 June 2012 £'000				
	Dual-Fuel™	**Components**	**Emissions Reduction**	**Adjustments and eliminations**	**Total**
Revenue					
Third party sale of goods (1)(8)	2,204	483	43	-	2,730
Third party rendering of services (1)(8)	1,133	-	-	-	1,133
Inter-segment (2)	363	-	-	(363)	-
Total revenue	3,700	483	43	(363)	3,863
Results					
Depreciation and amortisation (3)	(526)	(46)	-	12	(560)
Exceptional items	-	-	(77)	-	(77)
Operating (loss) (4)	(663)	69	(101)	21	(674)
Net finance income					2
Loss for the period					**(672)**
Assets					
Operating assets (5)	3,357	219	178	(47)	3,707
Provisions (6)	155	123	71	(7)	342
Operating liabilities including provisions (6)	1,945	351	51	(7)	2,340
Other disclosures					
Capital expenditure (7)	752	7	-	-	759

1. Dual-Fuel™ conversion segment includes revenue arising from development activity
2. Inter-segment revenues are eliminated on consolidation (£363,000)
3. Deprecation eliminated (£12,566) following transfer of intangible assets to Clean Air Power Inc.
4. Elimination of intragroup foreign exchange gains and losses (£21,000)
5. Adjustment to profit in inventory (£47,000)
6. Adjustment to provisions of £7,000
7. Capital expenditure consists of additions to plant and equipment and intangible assets
8. Revenue from one customer amounted to £1,089,228 (2011: £942,894), arising from sales related to the Dual-Fuel™ and Components segment.

6. SEGMENTAL ANALYSIS – CONTINUED

Period ended 30 June 2011 £'000	Dual-Fuel™	Components	Emissions Reduction	Adjustments and eliminations	Total
Revenue					
Third party sale of goods	1,053	618	63	-	2,067
Third party rendering of services	333	-	-	-	-
Inter-segment (1)	309	-	-	(309)	-
Total revenue	1,695	618	63	(309)	2,067
Results					
Depreciation and amortisation (3)	(176)	(16)	(3)	3	(192)
Operating (loss) (4)	(996)	-	(261)	(86)	(1,343)
Net finance income					4
Loss for the period					**(1,339)**
Assets					
Operating assets	2,731	1,478	172	(13)	4,368
Provisions	126	166	79	(5)	366
Operating liabilities including provisions	1,627	417	170	(5)	2,209
Other disclosures					
Capital expenditure (2)	1,059	-	5	-	1,064

1. Dual-Fuel™ conversion segment includes revenue arising from development activity
2. Inter-segment revenues are eliminated on consolidation (£309,000)
3. Deprecation eliminated (£3,000) following transfer of intangible assets to Clean Air Power Inc.
4. Elimination of intragroup foreign exchange gains and losses (£86,000).

Period ended 31 December 2011 £'000	Dual-Fuel™	Components	Emissions Reduction	Adjustments and eliminations	Total
Revenue					
Third party rendering of goods (1)(8)	2,474	1,006	275	-	3,755
Third party rendering of services (1)(8)	830	-	-	-	830
Inter-segment (2)	516	-	-	(516)	-
Total revenue	3,820	1,006	275	(516)	4,585
Results					
Depreciation and amortisation (3)	(399)	(33)	(4)	6	(430)
Operating (loss) (4)	(1,717)	(56)	(338)	(134)	(2,245)
Net finance income					5
Loss for the period					**(2,240)**
Assets					
Operating assets (5)	2,306	1,248	397	(43)	3,908
Provisions (6)	216	103	83	(9)	393
Operating liabilities including provisions (6)	1,256	296	171	(9)	1,714
Other disclosures					
Capital expenditure (7)	1,939	23	2	-	1,964

1. Dual-Fuel™ conversion segment includes revenue arising from development activity
2. Inter-segment revenues are eliminated on consolidation (£516,000)
3. Deprecation eliminated (£6,367) following transfer of intangible assets to Clean Air Power Inc.
4. Elimination of intragroup management charges (£77,000) and intragroup foreign exchange gains and losses (£53,027)
5. Adjustment to profit in inventory (£42,602)
6. Adjustment to provisions of £9,244
7. Capital expenditure consists of additions to plant and equipment and intangible assets
8. Revenue from one customer amounted to £1,843,953 (2010: £1,167,322), arising from sales related to the Dual-Fuel™ and Components segment.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

7. PLANT, EQUIPMENT & INTANGIBLE ASSETS

During the six months ended 30 June 2012, the Group acquired plant and equipment with a cost of £60,000 (30 June 2011: £30,505) (31 December 2011: £49,000). Expenditure on product development for the six months ended 30 June 2012 was £699,000 (30 June 2011: £1,033,354) (31 December 2011: £1,915,000). The majority of the expenditure related to the European OEM development project.

8. SHARE-BASED PAYMENT

During the period the Group recognised £12,534 (30 June 2011: £58,292) (31 December 2011: £139,610) related to equity-settled share-based payments transactions.

9. RELATED PARTY DISCLOSURES

The Group receives consultancy services from Karl Viktor Schaller, 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.

Prof K V Schaller	**Unaudited 6 months to 30 June**	**Unaudited 6 months to 30 June**	**Audited year ended 31 December**
	2012	**2011**	**2011**
	£'000	£'000	£'000
Services received from related parties	**2**	5	9
Amounts owed to related parties	**-**	-	-

Gary Ireson	**Unaudited 6 months to 30 June**	**Unaudited 6 months to 30 June**	**Audited year ended 31 December**
	2012	**2011**	**2011**
	£'000	£'000	£'000
Services received from related parties	**6**	10	19
Amounts owed to related parties	**6**	2	-

10. EXCEPTIONAL ITEMS

During the period the Group recognised £77,471 as a bad debt provision in respect of a customer in its Emissions Reduction Segment.

INTERIM REPORT

Copies of the interim results report for the Company for the period ended 30 June 2012 are to be made available on the Company's website.

CORPORATE INFORMATION

Directors

Non-Executive Chairman – Rodney Westhead “#

Non-Executive Deputy Chairman – Bernard Lord “*+#

President & Chief Executive – John Pettitt

Group Financial Director – Peter Rowse

Non-Executive Director – Prof Dr. Karl Viktor Schaller *+#

Non-Executive Director – Dr. Ulrich Wöhr “*+#

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

Secretary
Codan Services Limited

Registered Office
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Auditors
Ernst & Young LLP
100 Barbirolli Square
Manchester
M2 3EY

Solicitors
Berwin Leighton Paisner LLP
Adelaide House
London Bridge
London
EC4R 9HA

Nominated Advisor and Stockbrokers
Seymour Pierce
20 Old Bailey
London
EC4M 7EN

Registrars and Transfer Office
Capita IRG (Offshore) Limited
Victoria Chambers, Liberation Square
1/3 The Esplanade
St Helier
Jersey

Principal Banker
HCBC Bank plc
1 Forest Green Road
Fulwood
Preston
PR2 9LJ

Financial Public Relations
Buchanan Communications
45 Moorfields
London
EC2Y 9AE

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 Interim Results for the 6 months ended 30 June 2012 which comprises the Interim Consolidated Income Statement, the Interim Consolidated Statement of Comprehensive Income, the Interim Consolidated Statement of Financial Position, the Interim Consolidated Cash Flow Statement, the Interim Consolidated Statement of Changes in Equity and the related explanatory notes 1 to 10. We have read the other information contained in the Interim Results 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 Interim Results report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the Interim Results 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 Interim Results 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 Interim Results 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 Interim Results report for the 6 months ended 30 June 2012 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union.

Emphasis of Matter – Going Concern

In reaching our conclusion, which is not qualified, we have also considered the adequacy of the disclosures made in note 2 to the interim financial statements concerning the company's ability to continue as a going concern. The conditions described in note 2 indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The condensed set of financial statements in the Interim Results report do not include the adjustments that would result if the company was unable to continue as a going concern.

Ernst & Young LLP
Manchester
10 September 2012