Clean Air Power Limited
("Clean Air Power" or "Company")
Interim Results for the six month period ended 30 June 2013

5 September 2013

Clean Air Power Limited (AIM:CAP), the developer and global leader in Dual-Fuel™ engine management software for heavy-duty vehicles, today announces its results for the six month period ended 30 June 2013.

Financial Highlights

- Group revenue for the period increased 7% to £4.1m (H1-2012: £3.9m which included a £0.8m one-off item from Navistar)
- Revenue from Dual-Fuel™ system sales increased 23% to £2.7m (H1-2012: £2.2m)
- Gross profit for the period of £2.0m (H1-2012: £2.1m)
- Gross margin for the period of 48% (H1-2012: 54%)
- Loss after tax for the period of £0.9m (H1-2012: £0.7m which included a £0.8m one-off item from Navistar)

Operational Highlights

- Orders received for more than 350 Dual-Fuel™ systems to date
- 172 systems delivered in H1-2013 being a mixture of OEM and Genesis-EDGE product, an increase of 48% compared to 116 for the same period last year
- Exhibited Prototype Vehicle fitted with Genesis-EDGE Dual-Fuel™ technology at the Alternative Clean Transportation EXPO in Washington DC, the largest Alternative Fuels EXPO in the world
- Significant US development contract confirmed for approximately £1.7m to support US Genesis-EDGE development – funds provided by the California Energy Commission ('CEC')
- Euro 6 prototype R&D funding awarded by Niche Vehicle Network for after-treatment packaging development in partnership with Eminox Limited
- Two year funded research project agreed in partnership with Brunel University aimed at developing the next generation of advanced Dual-Fuel combustion systems using natural gas and diesel. The project will be carried out at Brunel University's Centre for Advanced Powertrains and Fuels

Post Period End

- Agreement with a global parcel company to support fleet trials for the US Genesis-EDGE product. They will provide 10 tractor units which will be installed with the Genesis-EDGE Dual-Fuel™ system
- Order received for 40 Genesis-EDGE Dual-Fuel™ systems from a major logistics organisation in the UK
- £5m equity fundraising (gross) successfully completed in August guaranteed by two new strategic investors: Ervington Investments Ltd, the ultimate beneficial owner of which is Roman Abramovich, and Ms Zara Shvidler

John Pettitt, Chief Executive of Clean Air Power said:

"I am pleased that our 2013 system orders exceed the 300 units sold in the full year in 2012. In the US, the exhibition of our first prototype Dual-Fuel™ vehicle was an important milestone for the company ahead of the expected Q1 2014 launch. The trend towards the adoption of natural gas vehicles in important world markets continues, and increasing investment in infrastructure by major gas supply companies signals a recognition that natural gas vehicles will play an important part in the future of road transport. Our plans to develop markets in Europe, US and Russia means Clean Air Power is well positioned to benefit from this global trend."

For further information, please contact:

Clean Air Power Ltd	Citigate Dewe Rogerson	Cantor Fitzgerald Europe (Nominated Adviser & Joint Broker)	Peat & Co (Joint Broker)
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Chief Executive's Statement

Clean Air Power has made a good start to 2013. Like for like revenue for Dual-Fuel™ systems increased by 23% for the period to 30 June 2013, and the total of current orders delivered and those in hand, with either Clean Air Power or our European OEM partner, already exceeds the 2012 total of 300 systems. In June we announced that increased production of standard diesel Euro 5 compliant vehicles ahead of the introduction of Euro 6 emissions standards in Europe had affected the expected production levels of methane-diesel vehicles by our European partner. However, since late June we have seen an encouraging uplift in the level of orders received for delivery in the second half of the year. The increased production of Euro 5 diesel vehicles in 2013 will also increase the number of target vehicles in the market available to retrofit with our Genesis-EDGE product in 2014.

In the US, we have made significant progress during the period developing a US Genesis-EDGE retro fit product for the North American market. In June, we drove the first prototype vehicle coast-to-coast from San Diego to Washington DC where it was exhibited at the Alternative Clean Transportation (ACT), the largest Alternative Fuels EXPO in North America. In the US the refuelling infrastructure, although rapidly growing, was insufficient to support an unbroken journey using gas and therefore more than half of the journey was completed in diesel mode. This very helpfully demonstrated the flexibility and robustness of our Dual-Fuel™ product to potential OEM and fleet customers in North America. The ACT exhibition marked a major achievement for the Company. During and following the show, we received positive feedback from potential partners interested in our Genesis-EDGE Dual-Fuel™ system.

In April 2013 we announced that £1.7m would be received from the California Energy Commission (CEC) managed via a subcontract with the Gas Technology Institute, to support the development of the US Genesis product.

In August 2013 we announced that a global parcel company would be the first trial customer of our US Genesis-EDGE Dual-Fuel™ product. Trials will commence in October 2013 and the parcel company will provide 10 tractor units to be installed with Clean Air Power's Dual-Fuel™ system and each will travel approximately 10,000 miles per month. Clean Air Power has a good relationship with this parcel company which has operated 9 Caterpillar C12 tractor units fitted with Clean Air Power's Dual-Fuel™ system since 2002, with each having completed over 1 million miles.

In the last 12 months, this customer has made public announcements regarding their intentions to build four natural gas refuelling stations and to purchase in excess of 700 natural-gas powered trucks in 2014. Whilst we have experienced some delays with the development of our US Dual-Fuel™ system, mainly due to commissioning issues with a sub contractor's test cells, we expect to launch our US Genesis product on target in the first quarter of 2014. We also continue to talk to other major fleet operators regarding further trial vehicles for the North American market and we hope to make further announcements soon.

Our clear medium term strategy remains to develop more OEM relationships and we continue discussions with major manufacturers and other partners to develop OEM products for markets in North America, Europe and Asia. However, in the shorter term our Genesis-EDGE retro fit product allows the Company to generate revenues and exert greater control over the speed to market. It also helps validate and promote the technology with future manufacturing partners and major fleet customers.

We were very encouraged with the successful £5m equity fundraising (gross) with strong support from existing and new shareholders. The strategic investment by Ervington Investments and Ms Shvidler confirms the traction to date and the potential of our Dual-Fuel™ technology and endorses our strategy to further develop markets in Europe, US and Russia.

Group Structure

Clean Air Power has two commercial divisions; Dual-Fuel™ vehicle systems and Components.

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 co-operation; 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 four 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
- Sales of Dual-Fuel™ system kits sold direct to approved installation partners
- Revenue from engineering services provided to manufacturers or third parties

The first half of this year has seen sales for the division overall decrease to £3.1m (H1-2012: £3.3m). The decrease is mainly due to the one-off amount received and recognised in the same period last year from Navistar for £0.8m for engineering services completed during 2010, while £0.3k was recognised in 2013 under a development agreement relating to the US Genesis program with funds provided by CEC. Like for like sales of our Dual-Fuel™ systems showed an increase of 23% to £2.7m (2012: £2.2m).

Interfaced OEM Product

The Company's European OEM customer's 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 and are now being sold into other European territories.

Incorporating Clean Air Power's Dual-Fuel™ technology into these truck engines delivers significant greenhouse gas emission reductions and fuel cost savings compared with standard diesel engines. A Dual-Fuel™ 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 can no longer be sold in the European Union after the first quarter of 2014 when new Euro 6 regulations will apply. Australia & the BRIC countries will continue to use Euro 5 compliant trucks. Therefore, these will be key target markets for the Company, particularly Russia, where we have invested in additional sales resources. In May 2013, the Russian Government set out ambitious plans to encourage the use of natural gas as a road fuel throughout the country.

Euro 6 compliant trucks are considerably more expensive than Euro 5 trucks and this has created increased demand from operators keen to buy their diesel trucks before the switch to Euro 6 regulations. This strong demand has lengthened lead times and created production constraints which adversely affected the supply of vehicles from our European OEM partner.

The Company continues to discuss with manufacturers regarding the development of a Dual-Fuel™ solution for vehicles compliant with Euro 6 emissions. We also completed a project in partnership with Eminox Limited, funded by the the Niche Vehicle Network, to develop a Euro 6 after-treatment packaging solution. However, the short term priority is to access the potentially higher volumes from the exciting US market by completing our US Genesis-EDGE product. In the US gas infrastructure is more developed than in Europe and there is a higher level of awareness of natural gas as a road fuel.

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 reductions 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 is currently developing a Genesis-EDGE product for the North American market and the first trial vehicles are expected to be operating in the fourth quarter of 2013.

The Euro 5 Genesis-EDGE product will continue to be sold in European Union markets as a retro fit product to operators with Euro 5 compliant trucks. We also intend to sell the Euro 5 Genesis-EDGE product in the Russian and Australian markets to customers with either new or existing vehicles.

In the first half of the year sales opportunities of Genesis-EDGE in the UK market have taken longer to develop than previously anticipated and with some expected orders being sold as the OEM product. However the Company delivered 20 Genesis-EDGE systems of the Renault Magnum 13 litre truck variant, this follows an order for 62 systems from the same customer during 2012. The Company has received orders to be delivered in the second half of 2013 for 41 Genesis-EDGE systems from a major logistics company demonstrating recent improved order inflow.

In total, 172 systems have been delivered in the first half of 2013 being a mixture of OEM and Genesis-EDGE, compared to 116 for the same period last year, an increase of 48%.

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.

Sales for 2013 are slightly ahead of expectations at £1.0m, £0.5m higher than the same period last year to June 2012. The second half of 2013 remains positive as the segment has forward orders in hand for approximately £0.4m.

Financial Review

The six month period to 30 June 2013 has seen revenue increase to £4.1m from £3.9m for the same period in 2012. This has been due mainly to higher vehicle systems sales in 2013 and a strong performance in our Components division.

The Dual-Fuel™ division sales decreased slightly to £3.1m (2012: £3.3m) as sales in 2012 were significantly supported by engineering services sales to Navistar of £0.8m which impacted the profitability metrics to a similar level. In 2013 to 30 June around £0.3m of revenue has been received under an engineering development agreement with funds provided by CEC.

Gross profit was slightly lower at £2.0m compared to £2.1m in the first six months of 2012, although the 2012 figure included the effect of the Navistar income.

Operating loss increased to £1.1m from £0.7m in 2012 and included a £0.1m increase in the amortisation charge and increased sales and staff costs versus 2012. Normalising our results to exclude the exceptional £0.8m Navistar income in 2012 then the net improvement demonstrates Clean Air Power's progress towards profitability.

The net result after tax for the period was a loss of £0.9m, a £0.2m increase on the £0.7m loss for the same period in 2012. The basic loss per share for the period was 0.53p (2012: 0.50p).

Capital expenditure amounted to £1.0m for the period compared with £0.7m in the first half of 2012. The majority of this amount relates to capitalisation of labour and expenses incurred in developing new products.

The cash position as at 30 June 2013 was £2.0m compared with £1.5m as at the end of 2012.

Outlook

In the first half of 2013, the Group made significant progress in a number of areas with its Dual-Fuel™ technology. Following the start of factory production of our European OEM product in 2012 it is encouraging to see orders now being received regularly and our progress in the US market and the potential in Russia is encouraging.

The ACT EXPO in the US increased our confidence in the potential for the US market. We are continuing to develop customer interest in the Genesis-EDGE development program and we were also encouraged by the level of interest in our legacy product for Caterpillar engines. As in most markets, the compelling driver is an economic one due to the difference between the price of diesel and that of domestically produced natural gas. Clean Energy, Shell and Blu Inc. have all commenced installations of public natural gas refuelling stations and have published ambitious plans to roll out many more stations across the US.

Some delays to our US Genesis development project have consumed the budgeted contingency but we expect to launch the product on time in the first quarter of 2014.

We are excited by the initial feedback from our early sales development activity in Russia. We intend to increase the marketing and planning activity in the second half of the year and launch our existing Genesis-EDGE product in Russia early in 2014.

Our Genesis-EDGE retro fit product remains an important part of our short term product offering in that it generates revenue and can facilitate a faster market entry than is typically possible when partnered with a large global manufacturer. However, our core strategic aim remains to develop agreements with such manufacturers on an OEM basis.

Under this OEM strategy we will need to develop more relationships with manufacturers and Tier One suppliers to commercialise the technology on a larger number of products in a variety of markets. While we recognise the need to accelerate our product development activity to capitalise on the growing demand for natural gas products, we also recognise our existing resource limitations. Therefore, in order to leverage our expertise, IP and technology without incurring prohibitive fixed costs we intend to enter a partnership with an organisation that is able to provide skilled engineering resources and facilities on a project by project basis.

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 remains 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.

The recent successful placing, which included a strategic investment by Roman Abramovich, provided funds that will be used to strengthen the Group's balance sheet ahead of future partnerships, to supplement working capital and to support marketing and sales activities in Russia and the US.

John Pettitt
Chief Executive
5 September 2012

INTERIM CONSOLIDATED INCOME STATEMENT

	Note	**Unaudited 6 months to 30 June 2013 £'000**	Unaudited 6 months to 30 June 2012 £'000	Audited Year to 31 December 2012 £'000
Revenue	**6**	**4,121**	3,863	7,942
Cost of sales		**(2,135)**	(1,775)	(4,424)
Gross profit		**1,986**	2,088	3,518
Administrative expenses		**(3,084)**	(2,749)	(5,710)
Share-based payments charge	**8**	**(12)**	(13)	(29)
Operating loss / loss on ordinary activities before finance revenue, finance costs and taxation		**(1,110)**	(674)	(2,221)
Finance revenue		**1**	2	2
Finance costs		**-**	-	(1)
Loss on ordinary activities before taxation	**6**	**(1,109)**	(672)	(2,220)
Tax credit for the period	**5**	**162**	-	-
Loss for the period attributable to Equity holders of the parent		**(947)**	(672)	(2,220)
Basic and diluted loss per share		**(0.53p)**	(0.50p)	(1.53p)

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited 6 months to 30 June 2013 £'000	Unaudited 6 months to 30 June 2012 £'000	Audited Year to 31 December 2012 £'000
Loss for the period	**(947)**	(672)	(2,220)
Exchange differences on translation of foreign operations - may be reclassified subsequently to profit or loss	**172**	(19)	(113)
Other comprehensive income/(loss) for the period	**172**	(19)	(113)
Total comprehensive loss for the period	**(775)**	(691)	(2,333)
Attributable to:			
Equity holders of the parent	**(775)**	(691)	(2,333)

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**Unaudited as at 30 June 2013 £'000**	Unaudited as at 30 June 2012 £'000	Audited as at 31 December 2012 £'000
Assets				
Non-current assets				
Plant and equipment	**7**	**298**	191	235
Intangible assets	**7**	**4,088**	3,994	3,658
		4,386	4,185	3,893
Current assets				
Inventories		**1,387**	1,093	1,208
Trade and other receivables		**1,153**	1,082	1,102
Cash and cash equivalents	**4**	**2,007**	1,532	3,204
		4,547	3,707	5,514
TOTAL ASSETS		**8,933**	7,892	9,407
Equity and liabilities				
Equity attributable to equity holders of the parent				
Ordinary share capital		**109**	83	109
Share premium		**22,344**	19,160	22,346
Translation reserve		**1,134**	1,056	962
Other reserves		**33,504**	33,504	33,504
Accumulated loss		**(50,725)**	(48,258)	(49,790)
Total equity		**6,366**	5,545	7,131
Non-current liabilities				
Trade and other payables		**10**	7	11
Provisions		**43**	-	43
		53	7	54
Current liabilities				
Trade and other payables		**1,876**	1,929	1,715
Provisions		**560**	342	425
Deferred revenue		**78**	69	82
		2,514	2,340	2,222
TOTAL LIABILITIES		**2,567**	2,347	2,276
TOTAL EQUITY AND LIABILITIES		**8,933**	7,892	9,407

INTERIM CONSOLIDATED CASH FLOW STATEMENT

	Unaudited **6 months to 30 June 2013 £'000**	Unaudited 6 months to 30 June 2012 £'000	Audited Year to 31 December 2012 £'000
Cash flows used in operating activities			
Loss ordinary activities before taxation	**(947)**	(672)	(2,210)
Adjustments for:			
Net finance revenue	**(1)**	(2)	(1)
Depreciation of plant and equipment	**59**	55	111
Amortisation of intangibles	**599**	505	1,019
Impairment	**-**	8	-
Share-based payments	**12**	13	29
Increase in trade and other receivables	**(51)**	(266)	(286)
Increase in trade and other payables	**161**	902	665
Increase in inventories	**(179)**	(424)	(538)
Increase/(decrease) in provisions	**135**	(51)	75
Decrease in deferred revenue	**(4)**	(225)	(212)
Other non-cash movements	**21**	5	14
Net cash outflow from operating activities	**(195)**	(152)	(1,344)
Investing activities			
Interest received	**1**	2	2
Payments to acquire plant and equipment	**(105)**	(52)	(141)
Disposal of plant and equipment	**-**	-	(6)
Payments to acquire intangible assets	**(902)**	(699)	(954)
Net cash outflow from investing activities	**(1,006)**	(749)	(1,099)
Financing activities			
Interest expense	**-**	-	(1)
Proceeds from the issue of ordinary share capital	**-**	-	3,357
Share issue costs	**-**	-	(145)
Net cash inflow from financing activities	**-**	-	3,211
Net (decrease)/increase in cash and cash equivalents	**(1,201)**	(901)	768
Effect of exchange rates on cash and cash equivalents	**4**	11	14
Cash and cash equivalents at the beginning of the period	**3,204**	2,422	2,422
Cash and cash equivalents at end of period	**2,007**	1,532	3,204

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2013

	Ordinary Share Capital £'000	Share Premium £'000	Translation Reserve £'000	Other Reserves £'000	Accumulated loss £'000	Total Equity £'000
Balance at 1 January 2012	**83**	**19,160**	**1,075**	**33,504**	**(47,599)**	**6,223**
Comprehensive income						
Loss for the period	-	-	-	-	(672)	(672)
Other comprehensive income						
Exchange differences on translation of overseas operations	-	-	(19)	-	-	(19)
Total comprehensive loss for the period	**-**	**-**	**(19)**	**-**	**(672)**	**(691)**
Share-based payments	-	-	-	-	13	13
On issue of new shares	-	-	-	-	-	-
Share issuance costs	-	-	-	-	-	-
Balance at 30 June 2012	**83**	**19,160**	**1,056**	**33,504**	**(48,258)**	**5,545**
Comprehensive income						
Loss for the period	-	-	-	-	(1,548)	(1,548)
Other comprehensive income						
Exchange differences on translation of overseas operations	-	-	(94)	-	-	(94)
Total comprehensive loss for the period	**-**	**-**	**(94)**	**-**	**(1,548)**	**(1,642)**
Share-based payments	-	-	-	-	16	16
On issue of new shares	26	3,331	-	-	-	3,357
Share issuance costs	-	(145)	-	-	-	(145)
Balance at 31 December 2012	**109**	**22,346**	**962**	**33,504**	**(49,790)**	**7,131**
Comprehensive income						
Loss for the period	-	-	-	-	(947)	(947)
Other comprehensive income						
Exchange differences on translation of overseas operations	-	-	172	-	-	172
Total comprehensive loss for the period	**-**	**-**	**172**	**-**	**(947)**	**(775)**
Share-based payments	-	-	-	-	12	12
On issue of new shares	-	-	-	-	-	-
Share issuance costs	-	(2)	-	-	-	(2)
Balance at 30 June 2013	**109**	**22,344**	**1,134**	**33,504**	**(50,725)**	**6,366**

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 2013 were authorised for issue in accordance with a resolution of the directors on 5 September 2013. Clean Air Power Limited is a public limited Company incorporated in Bermuda whose shares are publicly traded on the AIM market of the London Stock Exchange.

All of the revenues and operating assets relate to the Group's principal business activities, being vehicle conversion sales and sales of components. 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 2013 have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted in the European Union; 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 2012. The financial information for the preceding year is based on the Group's financial statements for the year ended 31 December 2012 upon which the auditors issued an unqualified opinion. The Group's financial statements for the year ended 31 December 2012 were prepared in accordance with International Financial Reporting Standards as adopted in the European Union.

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 2012.

The following standard adopted at 1 January 2013 did not have any impact on the interim results of the Group:

- IFRS 1 Government Loans — Amendments to IFRS 1
- IFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendment)
- IFRS 13 Fair Value Measurement
- IAS 19 Employee Benefits (Revised)
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine
- Improvements to IFRSs 2009-2011

The Group has not early adopted any standard, interpretation or amendment that was issued but not yet effective.

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.

The Group has relationships and opportunities with a number of customers and suppliers in different countries which support the prospects for different areas of the business and proven products. However, it is acknowledged that, in the current economic climate, it is difficult to predict the timing and extent of future revenues with certainty for a company at this stage of potentially rapid growth.

After making enquiries, and preparing forecasts of trading results which consider the potential effect on cash of reasonably foreseeable sales variances, 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 half yearly 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; engine maintenance software/product development; adaptation of core engine management software; gas supply and fuel volatility; 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 2012 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
	2013	2012	2012
	£'000	£'000	£'000
	2,007	1,532	3,204
Cash at bank and in hand	**2,007**	1,532	3,204

NOTES TO THE INTERIM FINANCIAL STATEMENTS

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
	2013	2012	2012
	£'000	£'000	£'000
Current taxation			
UK Tax			
Research and development tax repayment	**(162)**	-	-
	-	-	-
Tax credit for the period	**(162)**	-	-

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 two 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.

	Period ended 30 June 2013 £'000			
	Dual-Fuel™	**Components**	**Adjustments and eliminations**	**Total**
Revenue				
Third party sale of goods (1)(8)	2,701	982	-	3,683
Third party rendering of services (1)(8)	438	-	-	438
Inter-segment (2)	466	-	(466)	-
Total revenue	3,605	982	(466)	4,121
Results				
Depreciation and amortisation (3)	(493)	(173)	8	(658)
Operating (loss) (4)	(1,331)	213	8	(1,110)
Net finance income				1
Taxation				162
Loss for the period				**(947)**
Assets				
Operating assets (5)	3,848	745	(46)	4,547
Provisions (6)	536	73	(6)	603
Operating liabilities including provisions (6)	2,334	229	(6)	2,557
Other disclosures				
Capital expenditure (7)	965	42	-	1,007

1. Dual-Fuel™ conversion segment includes revenue arising from development activity

2. Inter-segment revenues are eliminated on consolidation (£466,000)
3. Depreciation eliminated (£8,000) following transfer of intangible assets to Clean Air Power Inc.
4. Elimination of intragroup depreciation (£8,000)
5. Adjustment to profit in inventory (£46,000)
6. Adjustment to provisions of £6,000
7. Capital expenditure consists of additions to plant and equipment and intangible assets
8. Revenue from one customer amounted to £2,261,780 (2012: £1,089,228), arising from sales related to the Dual-Fuel™ and Components segment.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

6. SEGMENTAL ANALYSIS – CONTINUED

	Period ended 30 June 2012 £'000			
	Dual-Fuel™	**Components**	**Adjustments and eliminations**	**Total**
Revenue				
Third party sale of goods (1)(8)	2,204	526	-	2,730
Third party rendering of services (1)(8)	1,133	-	-	1,133
Inter-segment (2)	363	-	(363)	-
Total revenue	3,700	526	(363)	3,863
Results				
Depreciation and amortisation (3)	(526)	(46)	12	(560)
Operating (loss) (4)	(663)	(32)	21	(674)
Net finance income				2
Loss for the period				**(672)**
Assets				
Operating assets (5)	3,357	397	(47)	3,707
Provisions (6)	155	194	(7)	342
Operating liabilities including provisions (6)	1,945	402	(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. Depreciation 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 (£46,943)
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.

	Year ended 31 December 2012 £'000			
	Dual-Fuel™	**Components**	**Adjustments and eliminations**	**Total**
Revenue				
Third party sale of goods (1)(8)	5,400	1,305	-	6,705
Third party rendering of services (1)(8)	1,237	-	-	1,237
Inter-segment (2)	918	-	(918)	-
Total revenue	7,555	1,305	(918)	7,942
Results				
Depreciation and amortisation (3)	(1,125)	(24)	19	(1,130)
Operating (loss) (4)	(2,381)	196	(36)	(2,221)
Net finance income				1
Loss for the period				**(2,220)**
Assets				
Operating assets (5)	5,329	234	(49)	5,514
Provisions (6)	400	75	(7)	468
Operating liabilities including provisions (6)	1,988	284	(7)	2,265
Other disclosures				
Capital expenditure (7)	1,064	31	-	1,095

1. Dual-Fuel™ conversion segment includes revenue arising from development activity
2. Inter-segment revenues are eliminated on consolidation (£918,000)
3. Depreciation eliminated (£19,446) following transfer of intangible assets to Clean Air Power Inc.
4. Elimination of intragroup management charges (£63,759) and intragroup foreign exchange gains and losses (£22,094)
5. Adjustment to profit in inventory (£48,536)
6. Adjustment to provisions of (£7,210)
7. Capital expenditure consists of additions to plant and equipment and intangible assets
8. Revenue from one customer amounted to £2,265,108 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 2013, the Group acquired plant and equipment with a cost of £105,000 (30 June 2012: £60,000) (31 December 2012: £141,000). Expenditure on product development for the six months ended 30 June 2013 was £902,000 (30 June 2012: £699,000) (31 December 2012: £954,000). The majority of the expenditure related to the US Genesis-EDGE development project.

8. SHARE-BASED PAYMENT

During the period the Group recognised £12,000 (30 June 2012: £13,000) (31 December 2012: £29,000) 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 the Company and Gary Ireson, the Director of Clean Air Power Pty Ltd, a wholly owned subsidiary.

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

Prof K V Schaller	**Unaudited 6 months to 30 June 2013**	**Unaudited 6 months to 30 June 2012**	**Audited year ended 31 December 2012**
	£'000	£'000	£'000
Services received from related parties	**2**	2	5
Amounts owed to related parties	**-**	-	-

Gary Ireson	**Unaudited 6 months to 30 June 2013**	**Unaudited 6 months to 30 June 2012**	**Audited year ended 31 December 2012**
	£'000	£'000	£'000
Services received from related parties	**10**	6	20
Amounts owed to related parties	**2**	6	3

INTERIM REPORT

Copies of the interim results report for the Company for the period ended 30 June 2013 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

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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 Interim Results for the 6 months ended 30 June 2013 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 9. 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 in 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. 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.

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Ernst & Young LLP
Manchester
5 September 2013