30 September 2014

CLEAN AIR POWER LIMITED
("Clean Air Power" or "the Group")
Interim Results for the Six Month Period Ended 30 June 2014

Operational Highlights

- Successful concept study with a global truck manufacturer to develop a next-generation *MicroPilot* diesel-natural gas engine for the South East Asian and other markets

- Collaborative research program with Queens University, Belfast to develop a next-generation diesel-natural gas combustion process for small-cylinder engines targeting the light-duty automotive market.

- Exhibited a UPS Prototype Vehicle fitted with Genesis-EDGE *Dual-Fuel*™ technology at the world's largest Alternative Clean Transportation EXPO in Long Beach, California

- Successful trials of Genesis-EDGE *Dual-Fuel*™ systems with potential customers in Russia

- 89 Genesis-EDGE *Dual-Fuel*™ systems delivered to Sainsbury's, a major supermarket in the UK, and a global logistics group, bringing both of their UK *Dual-Fuel*™ fleets to more than 100 trucks each

- £0.3m components order to supply gas injectors for a global truck manufacturer's new product launch into Russia

Financial Highlights

- Group revenue for the period increased 9% to £4.5m (2013: £4.1m)

- Revenue from *Dual-Fuel*™ system sales increased 17% to £3.2m (2013: £2.7m)

- Underlying Gross Profit[1] remained stable at £1.3m (2013: £1.3m)

- Underlying EBITDA[2] loss increased 18% to £1.3m (2013: £1.1m) due to increased staff costs as we focus on new markets

- £3.2m period end cash balance (before £1.0m new equity raised in July 2014)

Post Period End

- £1.0m equity raise (gross) successfully completed in July 2014 to provide additional working capital headroom that will allow the Group to take advantage of opportunities as they arise

- Signed a Letter of Intent with a global truck manufacturer to commence the first phase of a production development program for a next-generation *MicroPilot* diesel-natural gas engine for the South East Asian and other markets

- Technical issues in the base engine have led to a temporary delay in external emissions testing of the US Genesis-EDGE *Dual-Fuel*™

- Trading update released in September 2014 outlining challenging outlook over the uncertainty and timing of future orders and cash flows

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[1] Underlying gross profit excludes development contract revenue (£0.5m) recognised in the income statement where project costs were capitalised against future commercial revenue streams and a one-off provision release of (£0.2m) during 2013.

[2] EBITDA includes total operating loss before non-cash items, depreciation £0.05m (2013: £0.06m), amortisation £0.8m (2013: £0.6m) and share-based payments £0.03m (2013: £0.01m). The underlying EBITDA loss for 2013 excludes development contract revenue recognised (£0.5m) and a one-off provision releases of (£0.2m)

Commenting on the results, John Pettitt, Chief Executive, said:
"We made a major step forward in our strategy to position Clean Air Power as the design, development and delivery partner of choice for OEMs and Tier 1 suppliers in the first half of 2014 with the successful completion of a funded concept study with a global truck manufacturer for a next-generation diesel-natural gas engine for the South East Asian and other markets. This project demonstrates the leap in performance that is now possible when our patented MicroPilot system is applied to recent advances in diesel engine technology. This success comes as our Genesis-EDGE Dual-Fuel™ business is navigating a challenging transitional period moving from a European market at the end of its product lifecycle towards to two new, sizable and attractive markets in Russia and the US where we are preparing product launches. Despite the short term challenges as reported in our recent trading updates, our success in September in securing the first phase of a production program for South East Asia and other markets, underlines the real value our technology and development partnerships can bring to OEMs and Tier 1 suppliers."

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NOTES

Forward Looking Statements

This report includes statements that are forward looking in nature which involve known and unknown risks, assumptions, uncertainties and other factors which may cause the actual results of the Group to be materially different from any future results expressed or implied by any such forward looking statements in this report. Except as required by the AIM Rules for Companies and applicable law, the Group undertakes no obligation to update, revise or change any forward looking statements to reflect events or developments occurring after the date of this report.

About Clean Air Power

Clean Air Power designs, develops and delivers compression-ignited natural gas engines for heavy duty transport applications. Clean Air Power's patented *Dual-Fuel*™ and next-generation *MicroPilot* technology enables engines to run on natural gas mixed with diesel (or any suitable combustion fuel) providing the "spark" that ignites the gas. Substituting natural gas for diesel cuts fuel costs, emissions of carbon, nitrous oxide and particulates whilst retaining the original engine's power, efficiency and reliability characteristics. Clean Air Power operates in the US, Europe, Russia and Australia and has two commercial divisions:

Dual-Fuel™ Vehicle Systems
Delivery of patented *Dual-Fuel*™ systems which include fully-interfaced systems developed in partnership with truck manufacturers and the Group's Genesis-EDGE system, developed in-house as an after-market solution. *Dual-Fuel*™ is a type of system that adapts diesel engines to run on a combination of diesel and natural gas whilst retaining engine's basic infrastructure. The Division sells systems to truck manufacturers for on-line assembly, approved partners for after-market installation or direct to customers through its own installation facilities. The Division also undertakes design and development work for governments and truck manufacturers on *Dual-Fuel*™ and next-generation systems.

Components
Design and manufacture of innovative hydraulic valves, injectors and filters for natural gas engines sold to truck manufacturers around the world.

Initially founded in the USA in 1991, around £50m has been invested in developing the technology with the result that 69 patents are currently held or pending. The holding company of the Group is based in Bermuda with operational subsidiaries in the UK, the USA and Australia. The Group was admitted to the AIM market of the London Stock Exchange in February 2006.

BUSINESS REVIEW

Engine and Technology Development Partnerships

The focus of our strategy is to position Clean Air Power as the design, development and delivery partner of choice for OEMs and Tier 1 suppliers in developing compression-ignited natural-gas engines for on-highway and off-highway applications.

In the first half of 2014 we took a major step forward in the successful completion of a funded concept study with a global truck manufacturer for a *MicroPilot* diesel-natural gas engine for the South East Asian and other markets. A *MicroPilot* diesel-natural gas engine is a next-generation, fully interfaced engine system that takes advantage of the Group's patented *MicroPilot* technology and modern diesel engine technology so that only very small (i.e. "micro") quantities of diesel spray (i.e. "pilot") are needed to ignite a mixture of natural gas and air, delivering levels of performance that are a major advance on the Group's existing, retro-fitted *Dual-Fuel*™ system technology.

This led to signing a Letter of Intent in September 2014 to commence the first phase of a production development program which will generate revenues of over £1.8m and last 6 months. If successful, the program will move to a second phase targeting the start of production in 2017. The program will continue to be delivered in partnership with Ricardo and the success to date demonstrates the value that our relationship with Ricardo can bring to OEM and Tier 1 partners.

In May, we entered into a two to three year collaborative research program with Queens University, Belfast, to develop an advanced diesel-natural gas combustion process for small-cylinder engines aimed at the light-duty automotive market. Funded by the Department for Education and Learning and the Centre for Advanced Sustainable Energy. This program complements an on-going funded research programme undertaken with Brunel University aimed at developing advanced diesel-natural gas combustion systems for heavy-duty diesel engines.

We also continued to strengthen our intellectual property portfolio with the granting of US Patent No. 8,688,351 "Modification of Engine Control Signal Timing by Emulation of Engine Position Sensors". This technology further improves Clean Air Power's engine control mechanism and delivers practical advantages in terms of improved gas utilisation and engine performance.

***Dual-Fuel*™ Vehicle Systems**

Europe

The first half of 2014 saw a major transition for the European business. In early 2014, our European OEM partner brought an end to its Euro 5 diesel-natural gas production program[3] following the introduction of the Euro 6 emissions standard across the European Union, which became effective at the start of 2014 for all new truck sales. As a result, the business mix has shifted to our Genesis-EDGE *Dual-Fuel*™ retro-fit system which is sold directly into the after-market and installed at our facilities in the UK or through approved partners in Mainland Europe.

We enjoyed some notable successes in the first half of the year with existing customers, fitting 50 Genesis-EDGE systems for Sainsbury's and 39 systems for the UK division of a global logistics group, bringing the number of Clean Air Power *Dual-Fuel*™ vehicles in both customer fleets to over 100. However, despite these notable successes, trading was very difficult, primarily due to the lack of a coherent natural gas strategy across Europe and falls in the price of natural gas in the UK lagging behind falls in the price of diesel, thus impacting customers' business cases.

US and Russia

With Europe now on Euro 6, our near-term strategy has been to adapt our Genesis-EDGE *Dual-Fuel*™ product for the US market, which has different emissions standards, and the Russian market, which we expect to remain on Euro 5 for the foreseeable future. These are new sizeable markets and have committed to natural gas as a road fuel. In the US, the number of operating natural gas filling stations grew 14% to 1,483 at the end of June 2014, and in Russia, a government-backed national conversion program is making it a requirement that 30% of heavy duty trucks must run on natural gas by 2020, a move that has led Gazprom and Rosneft to commit significant investment to build a modern natural gas fuelling infrastructure.

In May, we exhibited a UPS Prototype Vehicle fitted with Genesis-EDGE *Dual-Fuel*™ technology at the world's largest Alternative Clean Transportation EXPO in Long Beach, California, generating much interest from visitors. UPS is operating 10 trucks fitted with our prototype Genesis-EDGE system and the operational data on performance and reliability has been an invaluable part of our development program. On 25 September 2014, we announced that whilst our US Genesis-EDGE *Dual-Fuel*™ test engine had met all Environmental Protection Agency (EPA) emission requirements in internal testing at company facilities in Leyland, UK, and was then subsequently shipped to the US for formal and independent testing by Ricardo Inc., in pre-certification testing, technical issues with the selective catalytic reduction (SCR) after-treatment system on the base diesel engine has prevented the completion of a full test cycle. The engine has been temporarily withdrawn from testing whilst the issue is resolved and will be returned to complete certification at the earliest opportunity.

[3] Our European OEM partner's diesel–natural gas program was an on-line manufactured Euro 5 460bhp truck incorporating Clean Air Power's Dual-Fuel™ technology and distributed by our European OEM partner through its European network of dealers.

In Russia, we delivered two systems to the Russian business of our European OEM partner, for use on trial vehicles, and have delivered a further three systems for trials. The customer trials have performed well and we have taken our first small orders for installation of customer vehicles.

Sales of our legacy Caterpillar C15 system in the US and Australia have been disappointing and below expectations. Although this is a legacy system, it delivers high levels of performance and there is an attractive niche market with independent truck operators. We have, therefore, invested in our marketing and data capability in the US and are conducting targeted marketing campaigns at state level.

Overall Dual-Fuel™ Vehicle System Sales
In total, 106 *Dual-Fuel*™ systems were delivered in the first half of 2014, compared to 172 for the same period last year, a decrease of 38%. However, excluding sales to our European OEM partner's diesel-natural gas program, units sold directly into the after-market increased from 23 in the first half of 2013 to 101 in the first half of 2014.

Revenue from system sales was £3.2m compared to £2.7m for the same period in 2013. Total revenue, including other services increased to £3.7m compared to £3.1m for the previous year, reflecting the different sales mix as the business transitioned from sales of component kits to our European OEM partner for on-line production to a full installation service for the Genesis-EDGE after-market system.

Components

Revenues were £0.8m compared to £1.0m in the previous year, although the Components division received an order for £0.3m to supply gas injectors for a global truck manufacturer's new product launch into Russia which represents potential for further orders into this growing market.

FINANCIAL REVIEW

The six month period to 30 June 2014 has seen revenues increase to £4.5m from £4.1m from the same period in 2013. This uplift has been the result of a change in sales mix following an increase in sales of our Genesis-EDGE product in the UK during the first half of 2014.

Costs of sales were higher in the period at £3.2m compared to £2.1m for the same period in 2013. The increase was due to a change in sales mix and the release of a one-off provision within the Components segment.

Gross profit was lower at £1.3m compared to £2.0m in the first six months of 2013. Included within gross profit for the first half of 2013 is £0.5m of development contract revenue recognised in the income statement where project costs were capitalised against future commercial revenue streams and a one-off provision release of £0.2m relating to historic provisions in the Components business; there were no similar items in the current period. Adjusting the 2013 comparative for these two items shows an underlying gross profit of £1.3m in 2013.

EBITDA loss increased to £1.3m from £0.4m. As noted above, £0.7m was attributable to development contract revenue and one-off provision releases, and the remaining £0.2 increase is mostly due to increased staff costs as we focus on new markets. For the same reasons, plus an £0.2m increase in amortisation as we transitioned from our European OEM partner's diesel-natural gas program into the Genesis-EDGE *Dual-Fuel*™ program, our operating loss increased to £2.2m from £1.1m in 2013.

There was no income tax credit during the period (2013: £0.2m).

The net loss after tax for the period was a loss of £2.2m, a £1.3m increase on the £0.9m loss for the same period in 2013. The basic loss per share for the period was 0.96p (2013: 0.53p).

Inventories reduced from £1.8m at 31 December 2013 to £1.1m following the end of European OEM production and sales of Genesis-EDGE systems during the first half of 2014.

Trade receivables reduced to £1.7m from £2.8m at 31 December 2013 following the collection of amounts outstanding under funded development agreements.

Capital expenditure amounted to £1.1m for the period compared with £1.0m in the first half of 2013. In 2014, this relates to capitalisation of labour and expenses incurred in developing Genesis-EDGE variants for the US and Russian markets.

The cash position as at 30 June 2014 was £3.2m as analysed in the cash flow statement on page 8, compared with £4.0m at 31 December 2013. This excludes the £1.0m gross proceeds raised during the July 2014 placing.

OUTLOOK

On 19 September 2014 we issued a trading update outlining that our business is in a difficult and challenging transitional period as we try to work with the increasing “lumpiness” of operating in a European market at the end of its product lifecycle whilst managing the build up to product launch in two new, sizable and attractive markets in the US and Russia.

As mentioned in the trading update, our opportunities in Europe are now consolidating around a small number of operators who continue to run large fleets of compatible Euro 5 vehicles. Despite a number of successful trials where our Genesis-EDGE *Dual-Fuel*™ system has proven its ability to generate significant fuel savings, factors outside of our control, such as ongoing delays in homologation in some European countries and limited fuelling facilities, have led customers to delay orders or reconsider their fleet strategies. We will continue to pursue a number of material opportunities, but it is not possible to predict with any certainty the timing or quantum of future orders in Europe and, as a result, we will accelerate plans to restructure the European business around the Russian program and build further distribution partnerships to capitalise on any of these opportunities should they crystallise in the future.

The temporary delay in the certification of our US Genesis-EDGE *Dual-Fuel*™ system due to technical issues in the base engine is frustrating, but we remain confident in achieving EPA approval once testing is resumed. The trading update issued on 19 September 2014 was already very cautious on US sales in 2014, but this does create further uncertainty over the timetable for achieving EPA certification testing and therefore the first sales into the US market.

In order to be able to manage the business with these inherent uncertainties in the sales projections, we are implementing measures to restructure the business to reflect the end of product lifecycle in the UK and Europe and are preparing detailed plans for further cost savings should future sales be delayed or lower than expectations. We are also discussing trade financing options with finance providers in order to provide greater flexibility in the Group’s ability to support growth in the US and Russia and are considering alternative ways of funding future development programs and financing the business.

These, however, represent short term challenges. We remain confident about the US and Russian markets and whilst it is also difficult to predict precisely the rate at which we expect these markets to grow, by working through distribution partners who understand their local markets and retain strong customer relationships, we believe we have the right operating model to capitalise on these sizable markets that are committed to natural gas as a road fuel.

Furthermore, our success in securing the first phase of a next-generation development program for South East Asia and other markets, which has now started, is a major step forward in our strategy to position the business as a designer and developer of systems where we are less exposed to development cost risk and can benefit from licencing our IP. This win demonstrates the quality of our technology and the value that our relationship with Ricardo can bring to OEM partners and, with natural gas now gaining acceptance as an alternative fuel in the US, Russia and Asia, we are seeing momentum with truck manufacturers and Tier 1 suppliers and we continue to progress discussions around new programs to develop our patented technology for applications in these markets.

John Pettitt
Chief Executive
30 September 2014

INTERIM CONSOLIDATED INCOME STATEMENT

	Note	**Unaudited 6 months to 30 June 2014 £'000**	Unaudited 6 months to 30 June 2013 £'000	Audited Year to 31 December 2013 £'000
Revenue	**6**	**4,503**	4,121	9,930
Cost of sales		**(3,219)**	(2,135)	(5,562)
Gross profit		**1,284**	1,986	4,368
Administrative expenses		**(3,477)**	(3,084)	(6,321)
Share-based payments charge	**8**	**(31)**	(12)	(44)
Operating loss/loss on ordinary activities before finance revenue, finance costs and taxation		**(2,224)**	(1,110)	(1,997)
Finance revenue		**9**	1	9
Finance costs		**(2)**	-	(13)
Loss on ordinary activities before taxation		**(2,217)**	(1,109)	(2,001)
Income tax credit (Research & Development related)	**5**	**-**	162	326
Loss for the period attributable to Equity holders of the parent	**6**	**(2,217)**	(947)	(1,675)
Basic and diluted loss per share		**(0.96p)**	(0.53p)	(0.85p)

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited 6 months to 30 June 2014 £'000	Unaudited 6 months to 30 June 2013 £'000	Audited Year to 31 December 2013 £'000
Loss for the period	**(2,217)**	(947)	(1,675)
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations	**(138)**	172	(156)
Total comprehensive loss for the period	**(2,355)**	(775)	(1,831)
Attributable to:			
Equity holders of the parent	**(2,355)**	(775)	(1,831)

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**Unaudited as at 30 June 2014 £'000**	Unaudited as at 30 June 2013 £'000	Audited as at 31 December 2013 £'000
Assets				
Non-current assets				
Plant and equipment	**7**	**264**	298	286
Intangible assets	**7**	**4,409**	4,088	4,276
		4,673	4,386	4,562
Current assets				
Inventories		**1,070**	1,387	1,759
Trade and other receivables		**1,705**	1,153	2,755
Cash and cash equivalents	**4**	**3,206**	2,007	4,006
		5,981	4,547	8,520
TOTAL ASSETS		**10,654**	8,933	13,082
Equity and liabilities				
Equity attributable to equity holders of the parent				
Ordinary share capital		**144**	109	144
Share premium		**27,042**	22,344	27,001
Translation reserve		**668**	1,134	806
Other reserves		**33,504**	33,504	33,504
Accumulated loss		**(53,623)**	(50,725)	(51,421)
Total equity		**7,735**	6,366	10,034
Non-current liabilities				
Trade and other payables		**4**	10	5
Provisions		**38**	43	43
		42	53	48
Current liabilities				
Trade and other payables		**1,945**	1,876	1,804
Provisions		**903**	560	912
Deferred revenue		**29**	78	284
		2,877	2,514	3,000
TOTAL LIABILITIES		**2,919**	2,567	3,048
TOTAL EQUITY AND LIABILITIES		**10,654**	8,933	13,082

Director

INTERIM CONSOLIDATED CASH FLOW STATEMENT

	Unaudited 6 months to 30 June 2014 £'000	Unaudited 6 months to 30 June 2013 (as restated – see Note 2) £'000	Audited Year to 31 December 2013 (as restated – see Note 2) £'000
Cash flows from operating activities			
Loss for the period	**(2,217)**	(947)	(1,675)
Adjustments for:			
Income tax credit	-	(162)	(326)
Net finance (revenue)/cost	**(7)**	(1)	4
Depreciation of plant and equipment	**48**	59	153
Amortisation of intangibles	**842**	599	1,212
Share-based payments	**31**	12	44
Decrease/(increase) in trade and other receivables	**1,050**	(51)	(1,653)
Increase in trade and other payables	**135**	161	89
Decrease/(increase) in inventories	**689**	(179)	(428)
Write back of inventory	**-**	-	(124)
(Decrease)/increase in provisions	**(14)**	135	487
(Decrease)/increase in deferred revenue	**(255)**	(4)	202
Other non-cash foreign exchange movements	**3**	21	(181)
Net cash generated/(used) by operations	**305**	(357)	(2,196)
Income taxes received	**-**	162	326
Interest income received	**9**	1	9
Interest expense paid	**(2)**	-	(13)
Net cash inflow/(outflow) from operating activities	**312**	(194)	(1,874)
Investing activities			
Payments to acquire plant and equipment	**(31)**	(105)	(202)
Sale of plant and equipment	**-**	-	3
Payments to acquire intangible assets	**(1,066)**	(902)	(1,844)
Net cash outflow from investing activities	**(1,097)**	(1,007)	(2,043)
Financing activities			
Proceeds from the issue of ordinary share capital	**41**	-	5,104
Share issue costs	-	-	(414)
Net cash inflow from financing activities	**41**	-	4,690
Net (decrease)/increase in cash and cash equivalents	**(744)**	(1,201)	773
Effect of exchange rates on cash and cash equivalents	**(56)**	4	29
Cash and cash equivalents at the beginning of the period	**4,006**	3,204	3,204
Cash and cash equivalents at end of period	**3,206**	2,007	4,006

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

	Ordinary Share Capital £'000	Share Premium £'000	Translation Reserve £'000	Other Reserves £'000	Accumulated loss £'000	Total Equity £'000
Balance at 1 January 2013	**109**	**22,346**	**962**	**33,504**	**(49,790)**	**7,131**
Comprehensive income						
Loss for the period	-	-	-	-	(947)	(947)
Other comprehensive income						
Exchange differences on retranslation 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**
Comprehensive income						
Loss for the period	-	-	-	-	(728)	(728)
Other comprehensive income						
Exchange differences on retranslation of overseas operations	-	-	(328)	-	-	(328)
Total comprehensive loss for the period	**-**	**-**	**(328)**	**-**	**(728)**	**(1056)**
Share-based payments	-	-	-	-	32	32
On issue of new shares	35	5,169	-	-	-	5,204
Share issuance costs	-	(512)	-	-	-	(512)
Balance at 31 December 2013	**144**	**27,001**	**806**	**33,504**	**(51,421)**	**10,034**
Comprehensive income						
Loss for the period	-	-	-	-	(2,217)	(2,217)
Other comprehensive income						
Exchange differences on retranslation of overseas operations	-	-	(138)	-	-	(138)
Total comprehensive loss for the period	**-**	**-**	**(138)**	**-**	**(2,217)**	**(2,355)**
Share-based payments	-	-	-	-	15	15
On issue of new shares	-	41	-	-	-	41
Share issuance costs	-	-	-	-	-	-
Balance at 30 June 2014	**144**	**27,042**	**668**	**33,504**	**(53,623)**	**7,735**

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 2014 were authorised for issue in accordance with a resolution of the directors on 30 September 2014. Clean Air Power Limited is a public limited Group incorporated in Bermuda whose shares are publicly traded 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 2014 have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union and using the recognition and measurement principles of International Accounting Standards, International Financial Reporting Standards and Interpretations adopted 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 2013. The financial information for the preceding year is based on the Group's financial statements for the year ended 31 December 2013 upon which the auditors issued an unqualified opinion. The Group's financial statements for the year ended 31 December 2013 were prepared in accordance with International Financial Reporting Standards as adopted in the European Union.

In preparing the interim consolidated cash flow statements for the 6-month period ended 30 June 2014, the comparative periods presented were restated to use the profit/(loss) for the period when adjusting and reconciling profit or loss to the net cash flows from operating activities. The comparative 6-month period ended 30 June 2013 was also restated to conform to the classification made in the annual group financial statements for the year ended 31 December 2013 in relation to interest income received and interest expense paid which were both classified as part of net cash flows from operating activities. Previously these were reported as part of net cash flows from investing and financing activities, respectively.

Significant movements and transactions during the period compared to the corresponding interim comparative period, in particular movements in cost of sales, inventories and trade and other receivables, are discussed in the Financial Review.

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 2013.

As 1 January 2014 there are no new standards or interpretations that resulted in any impact on the accounting policies, financial position or performance of the Group. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is 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 Business Review and the Outlook. The financial position of the Group is described within the Financial Review.

As described in the Business Review, the Group is in a difficult and challenging transitional period. The introduction of the Euro 6 emissions standard across Europe at the start of 2014 means that sales opportunities are now limited to a small number of operators who continue to operate large fleets of Euro 5 vehicles and, as a result, it is not possible to predict the quantum or timing of future sales in the UK and Mainland Europe. In the short to medium term, the Group is focussing on the launch of its products into the US and Russia and, as these are new markets for the Group, there is uncertainty around the rate of growth and overall sales quantities. On 25 September 2014, the Group announced that the US Genesis-EDGE *Dual-Fuel*™ system had been temporarily withdrawn from emissions testing in order to resolve technical issues with the base engine. The Directors are confident that these issues can be resolved in a matter of weeks, but this does create further uncertainty over the timetable for achieving EPA certification testing and therefore the timing of the first sales into the US market. Furthermore, as products currently in development move into production, the Groups strategy is to secure new development programs with OEMs and other Tier 1 manufacturers. The recent success in securing the first phase of a development program with a global manufacturer is major endorsement of the Group's technology and it is hoped that this will help to progress other opportunities that the Group is pursuing, but again, it is difficult to predict with any certainty the timing of such programs.

The Group's ability to meet its future working capital requirements is dependent upon being able to generate sufficient revenues from sales of its Genesis-EDGE *Dual-Fuel*™ system in the US and Russia and, longer term, secure further OEM or Tier 1 development contracts. The Directors have prepared detailed projections of future trading that they consider to be realistic and which show that the Group can manage its business within existing resources if trading is in line with expectations. However, in order to be able to manage working capital with the inherent uncertainties in the sales projections, the Directors are implementing measures to restructure the business to reflect the end of product lifecycle in the UK and Europe and are preparing detailed plans for further cost savings should future sales be delayed or lower than expectations. The Directors are also discussing trade financing options with finance providers in order to provide greater flexibility in the Group's ability to support growth in the US and Russia and are considering alternative ways of funding future development programs and financing the business.

With the uncertainties inherent in future revenues and the absence of firm commitments in financing options, the Directors have concluded that there is a material uncertainty that may cast significant doubt upon the Group's ability to continue as a going concern and that, therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Nevertheless, after making appropriate enquiries and preparing detailed projections of trading results which consider the potential effect on cash of reasonably foreseeable sales variances, along with the courses of action described above and alternative forms of finance being pursued, the Directors have a reasonable expectation that the Group has 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: additional capital requirements; manufacturer co-operation; fuel volatility; in-house product development/certification timing; partnership arrangements; engine management software/product development; gas supply; regulatory framework; competition/intellectual property; employees; trading and economic risks; adaptation of the core engine management software and sales timing. These risks and uncertainties facing our business were reported in detail in the financial review in the 2013 Annual Report and Accounts and all of them are monitored closely by the Group's Management Board. There have been no changes to the Group's principal risks and uncertainties in the six month period to 30 June 2014 and the Board of Directors do not anticipate any changes to the principal risks and uncertainties in the second half of the year.

4. CASH AND CASH EQUIVALENTS

	Unaudited as at 30 June		**Audited as at 31 December**
	2014	2013	2013
	£'000	£'000	£'000
	3,206	2,007	4,006
Cash at bank and in hand	**3,206**	2,007	4,006

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**
	2014	2013	2013
	£'000	£'000	£'000
Current taxation			
UK Tax			
Research and development tax repayment	**-**	(162)	(326)
Tax credit for the period	**-**	(162)	(326)

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 2014 £'000			
	***Dual-Fuel*™**	**Components**	**Adjustments and eliminations**	**Total**
Revenue				
Third party sale of goods (1)	3,152	823	-	3,975
Third party rendering of services (1)	528	-	-	528
Total revenue before inter-segment	3,680	823	-	4,503
Inter-segment (2)	197	-	(197)	-
Total revenue	3,877	823	(197)	4,503
Results				
Depreciation and amortisation (3)	(880)	(33)	23	(890)
Operating (loss)/profit(3)(4)	(2,253)	16	13	(2,224)
Net finance income				7
Income tax credit (Research & Development related)				-
Loss for the period				**(2,217)**
Assets				
Operating assets (5)	4,989	1,014	(22)	5,981
Provisions	880	61	-	941
Operating liabilities including provisions	2,564	351	-	2,915
Other disclosures				
Capital expenditure (6)	1,097	-	-	1,097

6. SEGMENTAL ANALYSIS – CONTINUED

1. Dual-Fuel™ conversion segment includes revenue arising from development activity
2. Inter-segment revenues are eliminated on consolidation (£197,000)
3. Amortisation eliminated (£23,000) following transfer of intangible assets to Clean Air Power Inc.
4. Elimination of intergroup balances relating to foreign exchange gains and losses (£10,000)
5. Adjustment to profit in inventory (£22,000)
6. Capital expenditure consists of additions to plant and equipment and intangible assets
7. Revenue from one customer amounted to £1,427,560 arising from sales related to the Dual-Fuel™ segment.

	Period ended 30 June 2013 £'000			
	Dual-Fuel™	**Components**	**Adjustments and eliminations**	**Total**
Revenue				
Third party sale of goods (1)	2,701	982	-	3,683
Third party rendering of services (1)	438	-	-	438
Total revenue before inter-segment	3,139	982	-	4,121
Inter-segment (2)	466	-	(466)	-
Total revenue	3,605	982	(466)	4,121
Results				
Depreciation and amortisation (3)	(493)	(173)	8	(658)
Operating (loss)/profit (3)	(1,331)	213	8	(1,110)
Net finance income				1
Income tax credit (Research & Development related)				162
Loss for the period				**(947)**
Assets				
Operating assets (4)	3,848	745	(46)	4,547
Provisions (5)	536	73	(6)	603
Operating liabilities including provisions (5)	2,334	229	(6)	2,557
Other disclosures				
Capital expenditure (6)	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. Amortisation eliminated (£8,000) following transfer of intangible assets to Clean Air Power Inc.
4. Adjustment to profit in inventory (£46,000)
5. Adjustment to provisions of £6,000
6. Capital expenditure consists of additions to plant and equipment and intangible assets
7. Revenue from one customer amounted to £2,261,780 arising from sales related to the Dual-Fuel™ and Components segment.

6. SEGMENTAL ANALYSIS – CONTINUED

	Year ended 31 December 2013 £'000			
	Dual-Fuel™	Components	Adjustments and eliminations	Total
Revenue				
Third party sale of goods (1)	7,256	1,704	-	8,960
Third party rendering of services (1)	970	-	-	970
Total revenue before inter-segment	8,226	1,704	-	9,930
Inter-segment (2)	1,785	-	(1,785)	-
Total revenue	10,011	1,704	(1,785)	9,930
Results				
Depreciation and amortisation (3)	(1,328)	(52)	15	(1,365)
Operating (loss)/profit (4)	(2,754)	296	461	(1,997)
Net finance expense				(4)
Income tax credit (Research & Development related)				326
Loss for the year				**(1,675)**
Assets				
Operating assets (5)	7,547	989	(16)	8,520
Provisions	901	54	-	955
Operating liabilities including provisions	2,753	290	-	3,043
Other disclosures				
Capital expenditure (6)	2,046	-	-	2,046

1. Dual-Fuel™ conversion segment includes revenue arising from development activity
2. Inter-segment revenues are eliminated on consolidation (£1,785,000)
3. Amortisation eliminated (£15,000) following transfer of intangible assets to Clean Air Power Inc.
4. Elimination of intragroup management charges (£48,000) and intragroup foreign exchange gains and losses (£413,000)
5. Adjustment to profit in inventory (£16,000)
6. Capital expenditure consists of additions to plant and equipment and intangible assets
7. Revenue from one customer amounted to £5,443,000 arsing from sales related to the Dual-Fuel™ and Components segment.

7. PLANT, EQUIPMENT & INTANGIBLE ASSETS

During the six months ended 30 June 2014, the Group acquired plant and equipment with a cost of £31,000 (30 June 2013: £105,000) (31 December 2013: £202,000). Expenditure on product development for the six months ended 30 June 2014 was £1,066,000 (30 June 2013: £902,000) (31 December 2013: £1,844,000). The majority of the expenditure related to the US Genesis-EDGE development project.

8. SHARE-BASED PAYMENT

During the period the Group recognised £30,816 (30 June 2013: £12,000) (31 December 2013: £44,328) 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.

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**	**Unaudited 6 months to 30 June**	**Audited year ended 31 December**
	2014	**2013**	**2013**
	£'000	£'000	£'000
Services received from related parties	**2**	2	4
Amounts owed to related parties	**-**	-	-

10. POST BALANCE SHEET EVENTS

In July 2014, the Company successfully raised capital of approximately £1.0m before expenses from the placing of new shares; this increased the ordinary share capital to £158,500 by the creation of an additional 25,000,000 Ordinary Shares with a nominal value of US$0.001 each and a market price of 4 pence per share.

CORPORATE INFORMATION

Directors

Non-Executive Chairman – Rodney Westhead “**#**

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

President & Chief Executive – John Pettitt

Chief Financial Officer – Neill Skinner

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

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

Non-Executive Director – Robert Tyrer

* 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 2014 which comprise 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 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. 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 Group 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 2014 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 group'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 group'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 group was unable to continue as a going concern.

Ernst & Young LLP
Manchester
30 September 2014