23 March 2015

CLEAN AIR POWER LIMITED

("Clean Air Power" or "the Group")

Preliminary Announcement of Results for the Year Ended 31 December 2014

Operational Highlights

- In December 2014, the US Genesis-EDGE *Dual-Fuel™* system passed the US Environmental Protection Agency emission standards and, in February 2015, became the only certified dual-fuel system in the US
- Signed contract with a global truck manufacturer for Phase 1 of a second-generation *MicroPilot* production development program for the South East Asian and other markets
- Challenging European market. Operations restructured to reduce cost base by £1.0m
- Collaborative research program with Queens University, Belfast to develop a compression-ignited natural gas system for small-cylinder engines targeting the light-duty automotive market

Financial Highlights

- Revenue from *Dual-Fuel*™ system sales decreased 47% to £3.2m (2013: £6.0m), but underlying[1] other income increased 64% to £3.6m (2013: £2.2m)
- Underlying[1] group revenue for the period decreased 17% to £6.8m (2013: £8.2m)
- Underlying[1] operating loss before non-cash items[2] increased 39% to £3.2m (2013: £2.3m) due to lower system sales and the impact of delays to US Genesis-EDGE
- Underlying[1] revenue less cash costs[3], which represents underlying cash consumption before working capital timing differences, increased 10% to £4.5m (2013: £4.1m)
- £1.0m equity raise successfully completed in July 2014
- £2.2m period end cash balance

Post Period End

- US Genesis distribution agreement signed with Bruckner's, a major Volvo/Mack dealer covering Southwestern region, including Oklahoma and Colorado where there are significant state subsidies for our system
- $1m signed contract extension to develop and deliver a demonstration vehicle to the South East Asian *MicroPilot* production development program, with a total contract award to date of $5m
- Successful trials of our *Dual-Fuel™* systems in Russia, but exchange and interest rates are having a severe impact on sales into Russia
- Research at Brunel University, London showing we can now deliver consistently over 90% substitution, 10% more power and 60% less methane and NO_x compared to conventional *Dual-Fuel™*
- Inherent uncertainty around US sales growth and the timing of OEM contract cash flows will make 2015 a challenging year and options have been identified to provide the financial headroom required

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1 Underlying results exclude non-recurring income and provision releases in 2013 and non-recurring costs in 2014. A full analysis is set out in the Financial Review

2 Non-cash items are: depreciation, amortisation, impairment charges and share-based payments

3 Revenue less cash costs is calculated as operating loss before non-cash items less capitalised development costs and capitalised software and measures cash consumption before timing differences

Commenting on the results, John Pettitt, Chief Executive, said:

"This has been a very challenging year. Following the introduction of the Euro VI emissions standard and narrowing diesel to natural gas price differentials, we saw a steep decline in European sales which prompted us to take the difficult step of restructuring the European business. On top of this, issues with the after-treatment system on the base diesel engine delayed our US Genesis-EDGE program by at least six months. Despite these challenges, we have continued to focus on our strategy to be a design, development and delivery partner on funded MicroPilot programs by securing Phase 1 of a major production development program for South East Asia and other markets. We also advanced the performance capabilities of our MicroPilot technology significantly through our research program with Brunel University, London. Nevertheless, 2015 will continue to be a challenging year as we tackle the inherent uncertainties around the rate of growth in the US, the economic situation in Russia, the timing of a second major production development program. However, with our strong patents, highly sophisticated control systems, years of know-how, and partnerships, particularly with Ricardo, I feel we are well placed to achieve a major step towards our vision in 2015."

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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 and manufactures innovative hydraulic valves, injectors and filters for natural gas engines sold to truck manufacturers around the world. Clean Air Power's patented *Dual-Fuel*™ and second-generation *MicroPilot* technology enables engines to run on natural gas mixed with diesel 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, directly or through distributor partnerships, in the US, Europe, Russia and Australia.

Initially founded in the USA in 1991, over $90m has been invested in developing the technology with the result that 62 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.

CHAIRMAN'S STATEMENT

This has been a year of transition for Clean Air Power as we continue to implement our strategy. We have managed the move away from our traditional market in Europe to new markets in North America and South East Asia whilst making major steps in our strategy to transition the business to a more stable, lower risk business model to market our unique intellectual property as a design, development and delivery partner on funded programs.

In the early part of the year, we moved from supplying Euro V *Dual-Fuel*™ system kits into our European OEM partner's production program to being an installer of our own Euro V Genesis-EDGE *Dual-Fuel*™ retro-fit product. We anticipated that the introduction of the Euro VI emission standard in early 2014 would bring our European OEM partner's production program to an end in 2014, and our investment in Genesis-EDGE provided a commercial hedge against this by targeting the high level of Euro V vehicle purchases made at the end of 2013.

Although we made good progress with Genesis-EDGE sales in the first quarter of 2014, the lack of a coherent natural gas strategy in Europe and low diesel to natural gas price differentials led to a sharp decline in demand in the second quarter, and in the second half of 2014 we made the difficult decision to restructure our European operations.

In 2014 we shifted our focus towards Russia working closely with the Russian subsidiary of our European OEM partner to support the Russian Government's ambitious plans to establish natural gas as mainstream road fuel. However, despite making good progress with our partner and having conducted successful trials with potential customers, the economic situation in Russia means we do not expect meaningful sales volume until the conditions change.

Running in parallel to the changes in Europe was our planned entry into the US market with a US2010 variant of our Genesis-EDGE *Dual-Fuel*™ system. At the same time as we were restructuring our European business, we incurred delays in our US program due to issues with the base diesel engine. Nevertheless, I am delighted that we have now achieved full certification by the US Environmental Protection Agency ("EPA") and the fact that we are the only dual-fuel system in the US that is fully certified by the EPA provides us with a distinct competitive advantage.

Whilst these have been very challenging transitions, we have also maintained focus on the most important transition towards being a design, development and delivery partner on funded *MicroPilot* production programs.

MicroPilot is our second-generation technology for compression-ignited natural gas engine systems and delivers a step change in performance over conventional *Dual-Fuel*™ technology. Our research program with Brunel University, London demonstrates that *MicroPilot* consistently delivers over 90% diesel to natural gas substitution with 10% more power and a 60% reduction in NOx and methane emission compared to conventional *Dual-Fuel*™.

MicroPilot is more than a concept. Following a successful concept study this year, we signed a contract with a global truck manufacturer for Phase 1 of a production development program for the South East Asian and other markets. This contract was extended in early 2015 and, when, as anticipated, we pass the gateway to Phase 2 this year, then we anticipate having a game-changing product on the market in 2017.

The relationship with our *MicroPilot* development partner, our strong intellectual property, the support we have from our technology partner, Ricardo plc, supported by our work with Brunel University, London, and the progress we are making on this project provides me with confidence that we can secure a second *MicroPilot* development program in 2015 which will move us a long way towards delivering our strategy and our ultimate transition to being the design, development and delivery partner on funded programs.

We still have much work to do though to reduce risk in the Group. The inherent uncertainties in the rate of growth in the US market and our limited ability to control the timing of OEM-funded contract awards means that there is a risk to the Group's ability to continue as a going concern and, therefore, we have identified options for alternative funding which are planned to provide headroom in the business and finance growth in 2015. We have a reasonable expectation that we will be successful in this exercise and this is discussed more fully in Note 2 to the Financial Information.

Rodney Westhead
Chairman

CHIEF EXECUTIVE'S REVIEW

Strategy

Clean Air Power's value lies in its intellectual property and, in particular, the sophistication of its control systems, its patents and the years of know-how that we have acquired in systems development, supply chain management and supporting compression-ignited natural gas vehicles operating in the field.

Up to this point, we have had to fund a large proportion of the costs of development programs and bear the risk of sales volumes in immature markets. Going forward, this is not a sustainable business model and we have a clear vision to transition from being a largely internally-funded operation to being a design and development specialist on customer–funded programs where we can also bring substantial experience in supply chain and field operations.

Our vision is "*to be the design, development and delivery partner of compression-ignited natural-gas engine systems for OEMs and Tier 1s*" and in order to deliver this vision, we have a three-step strategy:

Step 1
Sell current *Dual-Fuel™* products in new markets delivered through distribution agreements with the local operations of our OEM partners or major dealer networks. This has two key objectives: (1) to promote product awareness and showcase the technology; and (2) to generate cash to fund investment in second-generation *MicroPilot* and third-generation technologies.

Step 2
With engines becoming more complicated and emissions standards becoming ever stricter, the only viable model for developing the technology is through partnerships with OEMs and Tier 1 manufacturers. Step 2 of the strategy is, therefore, to reduce risk in the business and grow stable revenues by securing further OEM-funded or Tier 1-funded design, development and delivery programs; initially for on-highway programs and eventually diversifying into off-highway programs, such as power generation and oil & gas pumps, where the potential cost savings are significantly higher than in on-highway applications.

Step 3
Maintain technology leadership and competitive advantage by investing in "third generation" technology. Our research programs at Brunel University, London and Queens University, Belfast are already producing results that demonstrate the future potential of the technology.

Step 1: Sales of *Dual-Fuel™* Systems

US
In the US, the program to develop a US2010 variant of our Genesis-EDGE *Dual-Fuel™* system suffered a setback in the second half of the year when technical issues with the selective catalytic reduction ("SCR") after-treatment system on the base diesel engine prevented the completion of independent emissions testing by Ricardo plc and the product launch had to be delayed until Quarter 1 of 2015.

Nevertheless, in February 2015 we achieved full certification by the US Environmental Protection Agency ("EPA") and we are now the only dual-fuel system in the US that is fully certified.

Our Operations Director has relocated to the US to lead the drive to deliver the first customer orders and work with our distribution partners who will promote, install and service our systems.

Russia
Good progress was made in the second half of the year and we formalised our partnering agreement with the Russian business of our European OEM partner whereby our *Dual-Fuel™* system will be fitted to new vehicles and marketed under our partner's own branding. Our fleet of trial vehicles performed well within customer fleets and we secured our first sales orders, including a number of trial units for a major natural gas supplier. However, as discussed under "outlook" below, we expect 2015 to be a challenging year and for sales growth to be very modest.

Europe and Other Markets

The introduction of the Euro VI emissions standard across the European Union at the start of 2014 for all new truck sales brought our European OEM partner's Euro V diesel-natural gas production program to an end.

In response, the business mix 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, but the lack of a coherent natural gas strategy across Europe and a narrowing diesel to natural gas price differentials meant that by the half year we were only seeing a small number of opportunities with customers who had substantial sums invested in their own natural gas fuelling infrastructure and ran large fleets of newer Euro V vehicles. Furthermore, these market factors led many customers to delay orders or reconsider their fleet strategies, despite a number of successful trials where our Genesis-EDGE *Dual-Fuel™* system proved its ability to generate significant cost savings, even at the lower diesel to natural gas price differentials.

As a result, system sales in Europe dropped off sharply during the second half of the year and with no certainty around the timing or quantum of future orders and mounting pressure on cash, the difficult decision was taken to restructure the European business, resulting in expected cost savings of £1.0m a year. The Group is not pursuing new opportunities in Europe currently, but will continue to try and support customers on a case-by-case business where incremental value can be earned.

Sales of our legacy Caterpillar C15 system in the US and sales of Genesis-EDGE *Dual-Fuel™* in Australia have both been disappointing and below expectations. We have appointed a distributor for the Australian market and we are focussing our resources on the US.

Components

Our Components business unit provides reasonably stable earnings to support investment in second-generation *MicroPilot* and third-generation technologies. A notable highlight was securing an order for £0.3m to supply gas injectors for a global truck manufacturer's new product launch into Russia.

Step 2: *MicroPilot* Development Partnerships

*MicroPilot i*s our second-generation compression-ignited natural gas engine technology. *MicroPilot* can offer heavy-duty truck operators fuel economy (natural gas substitution over 80% and fuel efficiency on par with diesel) whilst retaining diesel operational characteristics (450-500BHP and diesel fall-back) and relatively low costs of ownership (low running costs and residual protection through the ability to convert back to diesel).

In November 2014, following a successful concept study earlier in the year, we signed the formal contract with a global truck manufacturer for Phase 1 of a funded *MicroPilot* engine production development program for the South East Asian and other markets. The program is being delivered in partnership with Ricardo plc ("Ricardo") under a wider co-operation agreement between Ricardo and ourselves. There is a project gateway decision in May 2015 with production planned for 2017.

In August 2014, we also secured $1.7m of grant funding from the US Department of Energy to support the development of a compression-ignited natural gas engine system compatible with the US2014/15 model year trucks.

Step 3: Investment in Third-Generation Technologies

Europe is now on the Euro VI emissions standard and, despite strong support from our customer base, we have taken the strategic decision that the development of a *MicroPilot* system able to meet the challenging Euro VI emissions requirements would only be commercially viable if developed in partnership with a major manufacturer. This is because of the complexity of Euro VI engine control systems, which use on-board diagnostics, and the technical limitations of current after-treatment systems which prevent *Dual-Fuel™* engines meeting the tighter methane limits under the new standard.

Nevertheless, we continue to pursue this opportunity and an exciting development that is being progressed as part of our research program at Brunel University, London is *Pre-Mixed MicroPilot Combustion ("PMPC")*.

This new combustion management strategy is showing that we can achieve 10% more power as well as 60% less methane and NO_x compared to conventional *Dual-Fuel™*, technology and this opens the pathway to delivering a Euro VI system that may not require selective catalytic reduction.

In May, we also 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 which is funded by the Department for Education and Learning and the Centre for Advanced Sustainable Energy.

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 our engine control mechanism and delivers practical advantages in terms of improved gas utilisation and engine performance.

Outlook

Step 1: Sell Dual-Fuel™ Systems
As noted above, our US Genesis-EDGE *Dual-Fuel™* system is the only dual-fuel system in the US that is fully certified by the EPA. In March 2015 we signed a distribution partnership with Bruckner's, a major Volvo and Mack dealer covering the lower Southwestern states, including Oklahoma and Colorado where State subsidies will cover 45% and 55% of the capital cost of our system respectively. We hope to follow this with further distribution partnerships across the US in the near future and we remain confident about the US opportunity.

The current economic situation in Russia makes it very difficult to estimate the impact on our business. Sales have been minimal in the first Quarter of 2015, and there is no certainty over how long the current situation will continue. We are exploring other options with our OEM partner, including the retro-fit market, and will continue to keep the position under close review. However, whilst we remain confident in the long-term opportunity in Russia, we expect 2015 to be a challenging year and for sales growth in 2015 to be very modest.

Whilst we are not actively pursuing new opportunities in Europe, we are seeing a number of small conversion opportunities that could provide incremental income.

Step 2: Secure Funded MicroPilot Development Partnerships
We believe that the real value of the Group is in commercial partnerships to develop second-generation *MicroPilot* and third-generation technologies.

We are making good progress on the South East Asian *MicroPilot* program and look forward to securing Phase 2 of the production development program which will see a *MicroPilot* product on sale in South East Asia in 2017.

To underline our partner's commitment to this program, in February 2015 we announced a $1m contract extension to design and deliver a demonstration vehicle, with an option for a second vehicle. This takes the value of overall contract award to $5m. The vehicle will be used by the global truck manufacturer to demonstrate to its target markets the high levels of performance, efficiency and natural gas substitution that can be achieved using our *MicroPilot* technology.

Step 3: Invest in Third-Generation Technologies

Our research work at Brunel University, London is showing that the possibilities of *MicroPilot* are surpassing our expectations and not only provides us with confidence around our ability to secure further funded development programs, but also provides a pathway to resolve the technical challenges currently limiting our ability to develop a Euro VI *MicroPilot* solution.

In March 2014, we secured additional funding from the UK Government's Knowledge Transfer Partnership ("KTP") scheme that will extend our research program at Brunel University, London by a year.

Summary

We are making good progress towards our strategic goals. We remain confident about US Genesis-EDGE sales, we are on track to secure the next phase of the South East Asian OEM-funded program and, with the recent results coming out of our research program with Brunel University, London, we remain very confident about our ability to secure further OEM-funded development programs.

Nevertheless, this will be a challenging year for Clean Air Power. It is very difficult to estimate the quantum of US Genesis-EDGE revenues so soon after product launch or control the timing of OEM-funded contract cash flows so we have identified funding options to inject the financial headroom we need and provide greater flexibility to support growth in the US. There is a risk to the Group's ability to continue as a going concern if we cannot increase our headroom, but we expect that we will be successful, and this is discussed more fully in Note 2 to the Financial Information.

John Pettitt
Chief Executive

FINANCIAL REVIEW

Highlights

The Group's financial and non-financial highlights of the year ended 31 December 2014 were as follows:

	2014 £m	2013 £m	*Change*
Dual-Fuel™ systems sold (number of units)	124	387	*-68%*
Actual results			
Dual-Fuel™ systems sales revenue	3.2	6.7	*-52%*
Other revenue (Engineering Services, After-Sales and Components)	3.6	3.2	*+13%*
Group revenue	6.8	9.9	*-31%*
Gross profit	1.6	4.4	*-64%*
Gross margin (%)	24%	44%	
Operating loss before non-cash items[2]	(3.9)	(0.6)	*-550%*
Operating loss	(6.3)	(2.0)	*-215%*
Revenue less cash costs[3]	(5.2)	(2.4)	*-117%*
Loss per share (p)	(2.55p)	(0.85p)	*-200%*
Underlying results[1]			
Dual-Fuel™ systems sales revenue	3.2	6.0	*-47%*
Other revenue (Engineering Services, After-Sales and Components)	3.6	2.2	*+64%*
Group revenue	6.8	8.2	*-17%*
Gross profit	2.1	2.7	*-22%*
Gross margin (%)	31%	33%	
Operating loss before non-cash items[2]	(3.2)	(2.3)	*-39%*
Operating loss	(5.2)	(3.7)	*-41%*
Revenue less cash costs[3]	(4.5)	(4.1)	*-10%*
Loss per share (p)	(2.12p)	(1.72p)	*-23%*
Net decrease in cash and cash equivalents before financing activities	(2.9)	(3.9)	*26%*
Cash and cash equivalents	2.2	4.0	*-45%*
Net current assets	1.4	5.5	*-75%*
Shareholders' funds	5.1	10.0	*-49%*

1. Underlying results exclude non-recurring income in 2013 (£1.7m) and non-recurring costs in 2014 which are set out in the table below.
2. Non-cash items are: depreciation of £0.1m (2013: £0.2m), amortisation £1.9m (2013: £1.2m), impairment charges £0.4m (2013: £nil) and share-based payments £0.08m (2013: £0.04m).
3. Revenue less cash costs is an internal performance measure calculated as operating loss before non-cash items less capitalised development expenditure and capitalised software

Revenues

Group revenue was £6.8m (2013: £9.9m).

In total, 124 *Dual-Fuel*™ systems were delivered in 2014, compared to 387 for 2013, a decrease of 68%. However, excluding sales to our European OEM partner's diesel-natural gas program, units sold directly into the after-market increased from 63 in 2013 to 119 in 2014. Revenue from *Dual-Fuel*™ system sales was £3.2m in 2014, compared to £6.7m in 2013. The higher average sale price per unit of £26,000 (2013: £17,000) reflects the shift in sales mix towards Genesis-EDGE *Dual-Fuel™* which includes installation costs. Other income rose 13% to £3.6m (2013: £3.2m)

In 2013, we received a one-off grant for £1.5m towards our US Genesis-EDGE program which was recognised as revenue in the year and the associated program costs in 2013 were capitalised against future commercial revenues. £0.7m was allocated to system sales and £0.8m was allocated to other income. Also in 2013, £0.2m of deferred income relating to a legacy contract was released to income as the final terms crystallised.

Excluding these non-recurring revenue items, underlying systems sales fell 47% to £3.2m (2013: £6.0m) and underlying other income increased 64% to £3.6m (2013: £2.2m) driven by revenues earned on the South East Asian program and after-market sales. Underlying total revenue fell 17% to £6.8m from £8.2m in 2013.

Gross Profit

Gross profit was £1.6m (2013: £4.4m). Of the £2.8m difference, £0.6m is due to reduced sales volumes and a different sales mix. The remaining £2.2m is due to due to the £1.7m of non-recurring income in 2013 discussed under "Revenues" above and a non-recurring £0.5m stock write down charge resulting from the restructuring of the European business.

Adjusting for these non-recurring items, underlying gross profit was £2.1m (2013: £2.7m) with the difference due to lower sales volumes and a different sales mix (£0.6m).

Underlying gross margin decreased slightly from 33% to 31% due to the higher proportion of Genesis-EDGE sales which carry a lower margin due to the inclusion of installation costs in the price.

Operating Loss

Operating loss was £6.3m (£2013: £2.0m). Of the £4.3m difference, £2.2m is due to the same non-recurring items that impacted gross profit and a further £0.6m is down to other non-recurring costs made up of the external costs of remediation work on US Genesis-EDGE (£0.1m), restructuring costs in the European business (£0.1m) and the impairment of the European intangible asset (£0.4m).

Adjusting for these non-recurring items, underlying operating loss was £5.2m (2013: £3.7m). The underlying difference of £1.5m is due to lower sales and a different sales mix (£0.6m), internal costs of remediation work on US Genesis-EDGE not capitalised (£0.5m) and higher amortisation (£0.6m), offset by £0.2m of costs savings resulting from the restructuring of the European business). The table below shows the bridge between underlying gross profit and operating loss when these non-recurring income and expenditure items are excluded.

	Gross profit	*Less:* expenses and charges	Operating loss	*Add back*: depreciation, amortisation, impairment, & share-based payments (Note 4)	Operating loss before non-cash items	*Less:* internal capitalised development expenditure & capitalised software (Note 13)	Revenue less cash costs
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Actual for the year to 31 December 2013	**4.4**	(6.4)	**(2.0)**	1.4	**(0.6)**	(1.8)	**(2.4)**
Non-recurring income in 2013							
US Genesis-EDGE program grant income	(1.5)		(1.5)		(1.5)		(1.5)
Release of legacy contract deferred income	(0.2)		(0.2)		(0.2)		(0.2)
Underlying for year to 31 December 2013	**2.7**		**(3.7)**		**(2.3)**		**(4.1)**
Impact of lower sales & different sales mix	(0.6)		(0.6)		(0.6)		(0.6)
Overhead savings	-		0.2		0.2		0.2
US Genesis remedial work not capitalised			(0.5)		(0.5)		-
Amortisation timing differences	-		(0.6)		-		-
Underlying for year to 31 December 2014	**2.1**		**(5.2)**		**(3.2)**		**(4.5)**
Non-recurring costs in 2014							
External costs of US Genesis remedial work	-		(0.1)		(0.1)		(0.1)
European restructuring costs							
Stock write-off (Note 16)	(0.5)		(0.5)		(0.5)		(0.5)
Other restructuring costs	-		(0.1)		(0.1)		(0.1)
Impairment of the European intangible (Note 13)	-		(0.4)		-		-
Actual for the year to 31 December 2014	**1.6**	(7.9)	**(6.3)**	2.4	**(3.9)**	(1.3)	**(5.2)**

The table above shows "operating loss before non-cash items" and "revenue less cash costs" which are used as key internal performance measures.

Operating Loss before Non-Cash Items

Operating loss before non-cash items was £3.9m (2013: £0.6m), and adjusting for non-recurring items, underlying operating loss before non-cash items was £3.2m (2013: £2.3m).

Revenue less Cash Costs

Revenue less cash costs is used as a measure to reflect the fact that a significant proportion of the product development costs which are capitalised in accordance with IAS38 "Intangible Assets" relate to the staff costs and expenses of the Engineering Team. As a result, the full cost base is not reflected in operating loss before non-cash items. Revenue less cash costs is operating loss before non-cash items less capitalised development expenditure and capitalised software, and shows the cash consumption excluding working capital timing differences.

Revenue less cash costs, which was a loss in 2014, was £5.2m (2013: £2.4m), and adjusting for non-recurring items, underlying revenue less cash costs was £4.5m (2013: £4.1m).

Taxation

Income tax credits resulting from a Research and Development claim were £0.1m, compared to £0.3m in 2013.

Dividend

The Directors do not recommend a dividend in respect of the current financial year (2013: £nil) and no interim dividend was paid (2013: £nil).

Intangible Assets

Intangible assets are carried at £3.5m (2013: £4.3m) and reflect product and software development costs capitalised in accordance with IAS38 "Intangible Assets". Intangible assets are tested annually for impairment and at 31 December 2014, as a result of the restructuring of the European business and the uncertainties surrounding the short-term economic and political situation in Russia, the European intangible asset was written down to £nil, resulting in an impairment charge of £0.4m.

Inventories

Inventories are £0.7m (2013: £1.8m) reflecting lower trading in *Dual-Fuel*™ systems at the end of 2014. As part of the restructuring of the European business, £0.5m of stock was written off at 31 December 2014.

Trade and Other Receivables

Trade and other receivables are £0.9m (£2.8m), again reflecting lower levels of trading in *Dual-Fuel*™ systems at the end of 2014 and tight management of the Group's cash resources.

Cash and Cash Equivalents

The cash position as at 31 December 2014 was £2.2m compared with £4.0m at 31 December 2013. However, this includes a number of large contract payments amounting to £0.8m that were expected in early January 2015 but received before the year end. There were no such items at 31 December 2013. If these are excluded from the year end cash balance, then the underlying cash balance at 31 December 2014 would have been £1.4m.

Trade and Other Payables

Trade and other payables were £1.2m (2013: £1.8m), again reflecting lower levels of trading in *Dual-Fuel*^{TM} systems at the end of 2014 and tight management of the Group's cash resources.

Financing

A £1.0m equity raise was successfully completed in July 2014 to provide additional working capital headroom.

Treasury Policy and Financial Risk

The Group's treasury operation is managed within formally defined policies which are reviewed by the Board. The Group finances its activities with cash and overnight deposits. Other financial assets and liabilities, such as trade receivables and trade payables, arise directly from the Group's operating activities. Surplus funds of the Group are invested through the use of short-term deposits with the objective of maximising fixed interest rate returns whilst still providing the flexibility to fund on-going operations when required. It is not the Group's policy to engage in speculative activity or to use complex financial instruments.

Going Concern

The Group's position on going concern is discussed in the Note 2 to the Financial Information.

GROUP INCOME STATEMENT

For the year ended 31 December 2014

	Notes	2014 £'000	2013 £'000
Revenue	3	6,756	9,930
Cost of sales		(5,118)	(5,562)
Gross profit		1,638	4,368
Administrative expenses		(7,509)	(6,321)
Impairment charge		(393)	-
Share-based payments charge		(80)	(44)
Operating loss	4	(6,344)	(1,997)
Loss on ordinary activities before finance revenue, finance costs and taxation		(6,344)	(1,997)
Finance revenue	6	18	9
Finance costs	7	(3)	(13)
Loss on ordinary activities before taxation		(6,329)	(2,001)
Income tax credit (Research & Development related)	10	95	326
Loss for the year attributable to Equity holders of the parent		(6,234)	(1,675)
Basic and diluted loss per share	11	(2.55p)	(0.85p)

All items dealt with in arriving at loss for the current and prior year above relate to continuing operations.

GROUP STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2014

	Notes	**2014 £'000**	2013 £'000
Loss for the year	3	**(6,234)**	(1,675)
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**242**	(156)
Total comprehensive loss for the year		**(5,992)**	(1,831)
Attributable to:			
Equity holders of the parent		**(5,992)**	(1,831)

GROUP STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Notes	2014 £'000	2013 £'000
Assets			
Non-current assets			
Plant and equipment	12	338	286
Intangible assets	13	3,463	4,276
		3,801	4,562
Current assets			
Inventories	14	716	1,759
Trade and other receivables	15	875	2,755
Tax receivables	10	156	-
Cash and cash equivalents	16	2,157	4,006
		3,904	8,520
TOTAL ASSETS		7,705	13,082
Equity and liabilities			
Equity attributable to equity holders of the parent			
Ordinary share capital	17	159	144
Share premium		27,977	27,001
Translation reserve		1,048	806
Other reserves		33,504	33,504
Accumulated loss		(57,590)	(51,421)
TOTAL EQUITY		5,098	10,034
Non-current liabilities			
Trade and other payables	21	88	5
Provisions	19	43	43
		131	48
Current liabilities			
Trade and other payables	18	1,142	1,804
Provisions	19	869	912
Deferred revenue	20	465	284
		2,476	3,000
TOTAL LIABILITIES		2,607	3,048
TOTAL EQUITY AND LIABILITIES		7,705	13,082

The financial statements were approved by the Board of Directors on 23 March 2015 and were signed on its behalf by:

Neill Skinner
Director

GROUP STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	Notes	2014 £'000	As restated (Note 2) 2013 £'000
Cash flows from operating activities			
Loss for the period		(6,234)	(1,675)
Adjustments for:			
Income tax credits		(95)	(326)
Net finance (revenue)/cost		(15)	4
Depreciation of plant and equipment	12	110	153
Amortisation of intangibles	13	1,887	1,212
Impairment of intangibles	13	393	-
Share-based payments		80	44
Decrease/(increase) in trade and other receivables		1,880	(1,653)
(Decrease)/ increase in trade and other payables		(684)	89
Decrease/(increase) in inventories		569	(428)
Write down/(back) of inventory		474	(124)
(Decrease)/increase in provisions		(43)	487
Increase in deferred revenue		181	202
Non-cash foreign exchange and other movements		(31)	(181)
		(1,528)	(2,196)
Income tax received		-	326
Interest received	6	18	9
Interest paid	7	(3)	(13)
Net cash outflow from operating activities		(1,513)	(1,874)
Investing activities			
Payments to acquire plant and equipment		(48)	(202)
Sale of plant and equipment	12	11	3
Payments to acquire intangible assets	13	(1,323)	(1,844)
Net cash outflow from investing activities		(1,360)	(2,043)
Financing activities			
Proceeds from the issue of ordinary share capital	22	1,055	5,104
Share issue costs	22	(64)	(414)
Net cash inflow from financing activities		991	4,690
Net (decrease)/increase in cash and cash equivalents		(1,882)	773
Net foreign exchange differences		33	29
Cash and cash equivalents at 1 January		4,006	3,204
Cash and cash equivalents at 31 December	16	2,157	4,006

GROUP STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 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 year	-	-	-	-	(1,675)	(1,675)
Other comprehensive income						
Exchange differences on retranslation of overseas operations	-	-	(156)	-	-	(156)
Total comprehensive loss for the year	-	-	(156)	-	(1,675)	(1,831)
Share-based payments	-	-	-	-	44	44
On issue of new shares	35	5,069	-	-	-	5,104
Share issuance costs	-	(414)	-	-	-	(414)
Balance at 31 December 2013	144	27,001	806	33,504	(51,421)	10,034
Comprehensive income						
Loss for the year	-	-	-	-	(6,234)	(6,234)
Other comprehensive income						
Exchange differences on retranslation of overseas operations	-	-	242	-	-	242
Total comprehensive loss for the year	-	-	242	-	(6,234)	(5,992)
Share-based payments	-	-	-	-	65	65
On issue of new shares	15	1,040	-	-	-	1,055
Share issuance costs	-	(64)	-	-	-	(64)
Balance at 31 December 2014	159	27,977	1,048	33,504	(57,590)	5,098

NOTES TO THE FINANCIAL INFORMATION

1. PRINCIPAL ACCOUNTING POLICIES

The preliminary results presented by the Directors in this statement are derived from the Group financial statements which were prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and IFRIC Interpretations as they apply to the financial statements of the Group for the year ended 31 December 2014. There have been no changes in accounting policies during the year.

The preliminary results for the year ended 31 December 2014, which are not the Group's statutory accounts, were approved by the Directors on 23 March 2015. The auditors of the Group financial statements for the year ended 31 December 2014 have issued an unqualified audit report which included an emphasis of matter in respect of going concern.

The Annual Report will be published following the Company's Annual General Meeting and will be published on the Company's website, www.cleanairpower.com and will be available from the Company's registered office at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and from the Company's UK office at Aston Way, Leyland, Lancashire, PR26 7UX.

2. GOING CONCERN

Overview
The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's Statement and Chief Executive's Review. The financial position of the Group, its cash flows and financing are described in the Financial Review.

Trading Risks
Firstly, the Group's main source of revenue from sales of *Dual-Fuel™* systems in the next twelve months will be the US market. The US variant of the Group's Genesis-EDGE *Dual-Fuel™* system was certified by the US Environmental Protection Agency in February 2015, and in March 2015, the Group announced it had signed a distribution deal with the leading Volvo and Mack dealer in the Southwestern region of the US, with discussions continuing with major dealers in other regions. The Directors remain confident about the future success of the US Genesis-EDGE *Dual-Fuel™* system, but as the Group is bringing a new product to a market it has not had significant exposure to for several years, there is an inherent uncertainty around the rate of growth and overall sales quantities. In the short-term, a slower rate of growth than expected would improve the Group's cash position as working capital levels are kept low, but in the longer-term the Group's cash flows will be adversely impacted by lower profits being earned. On the other hand, if sales accelerate beyond expectations, then the Group's working capital position would come under pressure. However, in such circumstances the Directors are confident that the Group could secure trade finance or, worst case, the Group would have to grow the US business within existing working capital constraints.

Secondly, in November 2014, following a successful concept study earlier in the year, the Group signed the formal contract with a global truck manufacturer for the first phase of a funded *MicroPilot* development program for South East Asia and other markets. There is project gateway in May 2015 and the Directors are confident the program will proceed to the next phase based on the program's overall progress plus the award in February 2015 of a contract extension for demonstration vehicle. Cash flows will, however, come under pressure if, for any reason, the next phase of this program is delayed several months. If this or further phases are not secured then there would be significant doubt over the Group's ability to continue as a going concern.

Finally, the Group's ability to meet its future working capital requirements is also dependent upon securing a second OEM or Tier 1 funded development program in 2015. Progress on the South East Asian program and developments at Brunel University, London which demonstrate *MicroPilot's* ability to exceed performance expectations lead the Directors to feel optimistic around the Group's ability to secure a second OEM or Tier 1 contract in 2015. Discussions are ongoing with a number of manufacturers and the award of a second OEM or Tier 1 development contract could have a material, positive impact on cash flows. However, if a second, major OEM or Tier 1 contract cannot be secured before the end of 2015, then there would be significant doubt over the Group's ability to continue as a going concern.

Financing Risk
With the trading risks described above and, following the restructuring of the European business in 2014, less scope to generate further cost savings, the Directors have identified options to provide the financial headroom required by the Group and inject additional working capital to capitalise on expected growth in the US. These options include the cash flows that a second OEM-funded contract would generate, as well as alternative sources of funding. If the Directors were unable to secure additional funding, then there would be significant doubt over the Group's ability to continue as a going concern.

Summary
The Directors have concluded that the trading risk and financing risks described above represent material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern and, therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. However, the Directors remain confident that the business can achieve its targets for 2015 and that there is a reasonable expectation that the Group will be able to secure alternative funding. The Directors have, therefore, concluded that it is appropriate to continue to prepare the Group's financial statements on a going concern basis and, therefore, the financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

3. SEGMENTAL INFORMATION

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 sells, installs and services compression-ignited natural gas engine systems.

The Components segment designs and delivers innovative hydraulic valves and components for natural gas engines.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss. However, financing and income taxes are managed on a Group basis and are not allocated to operating segments. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

	Year ended 31 December 2014 (£'000)			
	Dual-Fuel™	Components	Adjustments and eliminations	Total
Revenue				
Third party sale of goods (1)(7)	4,855	1,373	-	6,228
Third party rendering of services (1)(7)	528	-	-	528
Inter-segment (2)	431	-	(431)	-
Total revenue	5,814	1,373	(431)	6,756
Depreciation and amortisation (3)	(1,958)	(62)	23	(1,997)
Impairment of intangible asset	(393)	-	-	(393)
Operating loss (4)	(6,315)	129	(158)	(6,344)
Other tax credit				95
Net finance expense				15
Loss for the year				(6,234)
Assets				
Operating assets (5)	2,980	942	(18)	3,904
Provisions	866	46	-	912
Operating liabilities including provisions	2,092	515	-	2,607
Other disclosures				
Capital expenditure (6)	1,479	-	-	1,479

1. Dual-Fuel™ segment includes revenue arising from design and development contracts
2. Inter-segment revenues are eliminated on consolidation (£431k)
3. Amortisation eliminated (£23k) following transfer of intangible assets to Clean Air Power Inc.
4. Elimination of intragroup management charges (£42k) and intragroup foreign exchange gains (£200k)
5. Adjustment to profit in inventory (£18k)
6. Capital expenditure consists of additions to plant and equipment and intangible assets
7. Three customers contributed revenue in excess of 10% of total revenues, generating £1,412k, £1,360k and £918k respectively.

NOTES TO THE FINANCIAL INFORMATION (CONTINUED)

	Year ended 31 December 2013 (£'000)			
	Dual-Fuel™	Components	Adjustments and eliminations	Total
Revenue				
Third party sale of goods (1)(7)	7,256	1,704	-	8,960
Third party rendering of services (1)(7)	970	-	-	970
Inter-segment (2)	1,785	-	(1,785)	-
Total revenue	10,011	1,704	(1,785)	9,930
Depreciation and amortisation (3)	(1,328)	(52)	15	(1,365)
Impairment	-	-	-	-
Operating loss (4)	(2,754)	296	461	(1,997)
Other tax credit				326
Net finance expense				(4)
Loss for the year				(1,675)
Assets				
Operating assets (5)	7,547	989	(16)	8,520
Provisions	901	54	-	955
Operating liabilities including provisions	2,758	290	-	3,048
Other disclosures				
Capital expenditure (6)	2,046	-	-	2,046

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

Geographical Information

	2014 £'000	2013 £'000
Revenues from external customers		
UK	2,843	904
USA	449	2,462
Australia	341	596
Rest of Europe	1,557	5,860
Rest of World	1,566	108
	6,756	9,930

The revenue information is based on the location of the customer.

NOTES TO THE FINANCIAL INFORMATION (CONTINUED)

Non-Current Assets

	2014 £'000	2013 £'000
UK	170	1,337
USA	3,631	3,224
Australia	-	1
	3,801	4,562

Non-current assets for this purpose consist of plant and equipment and intangible assets.

4. OPERATING LOSS

	2014 £'000	2013 £'000
Loss on ordinary activities before taxation is stated after charging:		
Inventory expensed in the year	4,033	5,763
Depreciation of plant and equipment	110	153
Amortisation of capitalised development and software expenditure	1,887	1,212
Impairment of intangible asset	393	-
Foreign exchange differences	33	28
Operating lease rentals		
- Other	133	150
- Land and buildings	365	408
Research and development expensed to income statement	1,383	547
Other income –Research & Development expenditure credit	48	-

5. AUDITORS' REMUNERATION

	2014 £'000	2013 £'000
Audit of parent company and group financial statements	42	40
Audit of company's subsidiaries	13	13
Other services – interim review fees	12	11
	67	64

In 2014 there were no other fees (2013: £nil).

6. FINANCE INCOME

	2014 £'000	2013 £'000
Bank interest receivable	18	9

7. FINANCE COSTS

	2014 £'000	2013 £'000
Supplier finance facility Interest payable	3	12
Finance lease charges	-	1
	3	13

8. STAFF COSTS

The average monthly number of employees of the Group during the year, including Executive Directors, was as follows:

	2014 Number	2013 Number
Operational	47	40
Administrative	25	24
	72	64

Staff costs for all employees, including executive Directors, consist of:

	2014 £'000	2013 £'000
Wages and salaries	3,330	3,118
Social security costs	306	286
Other pension costs	83	96
Expense of share-based payments	65	44
	3,784	3,544

The Group operates money purchase (defined contribution) pension schemes. The assets of these schemes are held separately from those of the Group in independently administered funds. The pension cost for the year represents contributions payable by the Group to these funds and amounted to £83k (31 December 2013: £96k). Unpaid pension costs at the year-end amounted to £5k (2013: £17k).

9. DIRECTORS' EMOLUMENTS

	2014 £'000	2013 £'000
Emoluments		
Remuneration for management/non-executive services	482	644
Consultancy paid to Non-Executive Director	2	4
Defined contribution pension payments	12	7
	496	655

At the year end, there were £625 unpaid pension contributions (2013: £1,080). Pension contributions were made to personal plans of one of the executive Directors (2013: one).

	2014 £'000	2013 £'000
Highest paid Director		
Emoluments	251	381
Defined contribution pension payments	4	-
	255	381

10. TAXATION

	2014 £'000	2013 £'000
Analysis of (credit)/charge in the year		
Corporation tax at 21.5% /23.25%	-	-
Prior year adjustment to corporation tax	(108)	(326)
Corporation tax on R&D Expenditure Credits	13	-
Deferred tax	-	-
	(95)	(326)

The £108k prior year adjustment to corporation tax arises due to a claim for recoverable UK tax credits in relation to the Group's research and development activities. The £13k corporation tax on R&D Expenditure Credits may be recovered against future UK corporation tax liabilities; however, due to the unpredictability of future profit streams this amount has been written off to the profit and loss account.

Tax receivables due at 31 December 2014 of £156k (2013: £nil) comprise corporation tax receivable £108k and other tax receivable – R&D credit £48k.

	2014 £'000	2014 %	2013 £'000	2013 %
Reconciliation of tax charge				
Loss on ordinary activities before tax	(6,329)	100	(2,001)	100
Tax at 21.5%/23.25%	(1,360)	21.5	(465)	23
Prior year adjustments to corporation tax in respect of payable research and development tax credits	(108)	1.5	(326)	16.5
Corporation tax on R&D Expenditure Credits	13	-	-	-
Tax effect of expenses that are not deductible in determining taxable profit	80	(1)	5	-
Losses arising in the year not recognised in deferred tax	1,121	(17.5)	438	(22)
Movement in temporary differences in the year not recognised in deferred tax	168	(3)	35	(2)
Tax losses utilised	(1)	-	-	-
Effect of different tax rates of group companies operating in other jurisdictions	(8)	-	(13)	1
Tax credit for the year	(95)	1.5	(326)	16.5

Deferred Tax

The deferred tax asset/(liability) recognised/(provided) at 31 December is as follows:

	2014 £'000	2013 £'000
Plant and equipment	(1,218)	(1,215)
Short term temporary differences	330	398
Tax losses	888	817
	-	-

At the balance sheet date the Group has a deferred tax asset measured at rates of tax between 20% and 34% in relation to unused tax losses of £17.2m (2013: £15.8m) available to offset against future profits. The amount recognised as a deferred tax asset is £888k (2013: £817k). Remaining tax losses have not been recognised as an asset due to the unpredictability of future profit streams.

As at the balance sheet date, the main rate of UK corporation tax substantively enacted to apply from 1 April 2015 was 20%. Deferred tax on timing differences arising in the UK have been provided for at the rate of 20% as the timing differences are expected to reverse after 1 April 2015. To the extent that the deferred tax reverses more quickly than this the net deferred tax asset will be increased.

NOTES TO THE FINANCIAL INFORMATION (CONTINUED)

Unrecognised tax losses carried forward against certain future UK and overseas corporation tax liabilities have the following expiration dates:

	2014 £'000	2013 £'000
2014	-	4,886
2015	5,136	1,866
2016	2,788	3,912
2017	147	147
2018 and later	38,998	43,385
Available indefinitely	19,087	16,201
Tax losses available to carry forward	66,156	70,397
Amount of tax losses recognised in the deferred tax asset	2,229	2,447
Total gross tax losses available to carry forward	68,385	72,844

The total gross tax loss carried forward of £68.385m is comprised as follows:

	2014 £'000	2013 £'000
Gross tax losses		
UK Corporation Tax losses	17,555	15,505
US Federal Income Tax losses	36,723	32,017
US State Income Tax losses	12,575	23,826
Australian Income Tax losses	1,532	1,496
	68,385	72,844

11. LOSS PER SHARE

Basic

Basic loss per share is calculated by dividing net loss for the year attributable to equity holders of the parent by the weighted average number of Common Shares in issue during the year.

	2014	2013
Loss for the year (£'000)	(6,234)	(1,675)
Weighted average number of shares	244,358,707	196,217,430
Basic and diluted loss per share	(2.55p)	(0.85p)

The loss for the year and the weighted average number of ordinary shares for calculating the diluted earnings per share for the year to 31 December 2014 are identical to those used for the basic earnings per share. This is because the outstanding share options would have the effect of reducing the loss per ordinary share and would therefore not be dilutive.

NOTES TO THE FINANCIAL INFORMATION (CONTINUED)

12. PLANT AND EQUIPMENT – GROUP

	Plant and equipment £'000
Cost	
At 1 January 2013	1,340
Additions	202
Disposals	(12)
Exchange differences	(20)
At 31 December 2013	1,510
Additions	156
Disposals	(108)
Exchange differences	28
At 31 December 2014	1,586
Depreciation	
At 1 January 2013	1,105
Depreciation charge for the year	153
Disposals	(9)
Exchange differences	(25)
At 31 December 2013	1,224
Charge for the year	110
Disposals	(97)
Exchange differences	11
At 31 December 2014	1,248
Net book value	
At 31 December 2014	338
At 31 December 2013	286
At 1 January 2013	235

The carrying value of plant and equipment held under finance leases and hire purchase contracts at 31 December 2014 was £111k (2013: £17k).

13. INTANGIBLE ASSETS – GROUP

	Internal capitalised development expenditure £'000	Software £'000	Total £'000
Cost			
At 1 January 2013	6,388	307	6,695
Additions	1,824	20	1,844
Disposals	-	(2)	(2)
Exchange differences	(91)	(4)	(95)
At 31 December 2013	8,121	321	8,442
Additions	1,282	41	1,323
Exchange differences	197	13	210
At 31 December 2014	9,600	375	9,975
Amortisation and impairment			
At 1 January 2013	2,808	229	3,037
Charge for the year	1,166	46	1,212
Disposals	-	(2)	(2)
Exchange differences	(78)	(3)	(81)
At 31 December 2013	3,896	270	4,166
Charge for the year	1,844	43	1,887
Impairment	393	-	393
Disposals	-	-	-
Exchange differences	54	12	66
At 31 December 2014	6,187	325	6,512
Net book value			
At 31 December 2014	3,413	50	3,463
At 31 December 2013	4,225	51	4,276
At 1 January 2013	3,580	78	3,658

Internal capitalised development expenditure relates to the Group's *Dual-Fuel™* products. Amortisation begins when the product is available for use. Amortisation expenses are charged through administration expenses in the group income statement.

At 31 December 2014 and following the restructuring of the European business, the carrying amount of the capitalised development expenditure relating to the European market (£393k) was reviewed for impairment and the Directors felt, with the Group no longer pursuing new business in Europe and the ongoing uncertainty around Russia, that the intangible asset relating to the European business should be fully impaired.

Internal capitalised development expenditure relates to the US Genesis-EDGE program and the carrying value at the end of the year was £3,413k. Of this balance, an amount of £2,962k relates specifically to development expenditure on the Genesis-EDGE system calibrated to be compliant with the US2010 emissions standard and which received certification from the US Environmental Protection Agency in February 2015 and enables the product to be sold in the US. The asset will be amortised from this point over a period of 2 years. The Directors have compared the carrying amount to the cash flows expected to be generated from the sales of the US2010 Genesis-EDGE system, which is now approved for sale in the US. As this represents a new market for the Group, forecast unit sales are inherently uncertain and therefore the carrying value might not be recoverable if there are significant shortfalls in the sales compared to expectations. Nevertheless, the Directors are satisfied that the review has been based on reasonable and appropriate assumptions.

The remaining balance of £451k relates to development expenditure on the Group's control systems software which is used across a number of development programs, including the US2014/15 Genesis-EDGE program for which the Group has secured grant funding from the US Department of Energy and the South East Asian *MicroPilot* program. The asset will be amortised over 5 years.

14. INVENTORIES – GROUP

	2014 £'000	2013 £'000
Raw materials	588	1,395
Work in progress	32	258
Finished goods	96	106
	716	1,759

There is no significant difference between the replacement value of stock and the amount at which it is stated in the financial statements.

During 2014 the amount of inventory written down was £474k which has been charged to cost of sales, this follows the Group taking a cautious view of future sales of *Dual-Fuel™* products in the European market. In 2013, £124k was written back and credited to cost of sales.

15. TRADE AND OTHER RECEIVABLES (CURRENT) – GROUP

	2014 £'000	2013 £'000
Trade receivables	712	2,205
Prepayments and accrued income	149	524
VAT receivables	14	26
	875	2,755

Trade receivables are non-interest bearing and are generally on 30-day terms, apart from vehicle conversions which are settled on collection of the vehicle conversion. The credit quality of trade receivables that are neither past due nor impaired is assessed on an individual customer basis by the Group's credit control procedures.

As at 31 December 2014, trade receivables at nominal value of £43k (2013: £nil) were impaired. Movements in the provision for impairment of receivables were as follows:

	Total £'000
At 1 January 2014	-
Additional provision in year	43
Utilised during the year	-
At 31 December 2014	43

As at 31 December, the ageing analysis of trade receivables that were past due but not impaired is as follows:

			Neither past due nor impaired			
	<30 days £'000	30 – 60 days £'000	61 – 90 days £'000	91 – 120 days £'000	>120 days £'000	Total £'000
2014	397	121	1	28	165	712
2013	1,443	307	455	-	-	2,205

16. CASH AND CASH EQUIVALENTS

	2014 £'000	2013 £'000
Cash at bank and in hand		
Sterling	1,448	3,473
US Dollar	615	476
Australian Dollar	94	57
	2,157	4,006

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates.

NOTES TO THE FINANCIAL INFORMATION (CONTINUED)

17. SHARE CAPITAL

	2014 £'000	2013 £'000
Authorised		
375,000,000 (31 December 2013: 250,000,000) Common Shares of US$0.001	227	152
Issued and paid up		
256,849,139 (31 December 2013: 231,019,139) Common Shares of US$0.001	159	144

For details of shares issued during the year, refer to note 22.

18. TRADE AND OTHER PAYABLES (CURRENT) – GROUP

	2014 £'000	2013 £'000
Trade payables	393	971
Taxation and social security	22	28
Other payables	121	118
Accruals	584	680
Obligations under finance lease	22	7
	1,142	1,804

Total creditor days for the period ending 31 December 2014 were 55 days (2013: 50 days).

19. PROVISIONS – GROUP

	Dilapidations £'000	Engine maintenance provisions £'000	Total £'000
At 1 January 2014	43	912	955
Additional provisions in year	-	154	154
Utilisation of provisions	-	(179)	(179)
Unused amounts reversed	-	(42)	(42)
Exchange differences	-	24	24
At 31 December 2014	43	869	912

Dilapidations provisions relate to property.

Engine maintenance provisions relate to warranties given by the Group in respect of products sold and provisions for environmental compliance testing. The warranty period in most cases is 12 months or 250,000 miles, whichever comes first. In certain cases, the customer may negotiate a period longer than 12 months. This expenditure arises at different times over the life of the product and is expected to be fully utilised within one year.

The Group has made assumptions in relation to historical warranty claims and the expected cost of settling such claims. In relation to future claims, the Group has made assumptions based on warranty expiry dates and the history of previous claims.

	Dilapidations £'000	Engine maintenance provisions £'000	Total £'000
Non-current (greater than 1 year)	-	-	-
Current (less than 1 year)	43	869	912
At 31 December 2014	43	869	912

NOTES TO THE FINANCIAL INFORMATION (CONTINUED)

20. DEFERRED REVENUE – GROUP

	2014 £'000	2013 £'000
Deferred revenue	465	284

The deferred revenue refers to development revenue that has been invoiced but not completed at 31 December 2014 and completion is expected during 2015.

21. OTHER PAYABLES (NON CURRENT) – GROUP

	2014 £'000	2013 £'000
Obligations under finance lease	88	5

22. FINANCING

The movement in the number of ordinary shares, ordinary share capital and share premium are as follows:

	Ordinary shares (number)	Ordinary share capital £'000	Share premium £'000
At 1 January 2014	231,019,139	144	27,001
Placing of shares	25,000,000	15	920
Exercise of share options by P Rowse	500,000	-	41
Issue of shares to long-serving employees	17,500	-	-
Professional services paid by issue of share capital	312,500	-	15
At 31 December 2014	256,849,139	159	27,977