

31 March 2011

**KLEENAIR SYSTEMS INTERNATIONAL PLC
("KleenAir" or "Company")**

**Unaudited Interim Accounts for the six months ended
31 December 2010**

CHAIRMAN'S STATEMENT

Investment in advanced heat and power technology company

In August 2010, following approval of the Company's Investing Policy by shareholders at the General Meeting on 3rd August 2010, the Company made its first investment. The Company acquired a minority stake in Inspirit Energy Limited ("Inspirit"), a Sheffield-based company in the final stages of development of a micro combined heat and power appliance. Since the initial investment, Inspirit has started the process to receive Gas Appliance Directive (GAD) approval for its appliances and continues its commercialisation process.

In January 2011, KleenAir made a further investment into Inspirit, and following this, Inspirit acquired Somemore Limited ("Somemore"), the holders of the intellectual property relating to Inspirit's appliance. Consequently, KleenAir now holds a 17.05% stake in Inspirit, which the Company intends to retain as a long-term investment.

Financial Results

The accounts for the period to 31 December 2010 show a minor loss of £57,000.

Changes to the Board of Directors

On the 17 September 2010, Sarah Pozner was appointed an Executive Director to the board and on 13 December 2010, immediately following the retirement of Wayne Reid at the Company's Annual General Meeting, as Chairman of the board.

Miles Lewis, having relocated abroad permanently, resigned as Non Executive Director.

Loan Notes and Company Finance

Over the six month period ending 31 December 2010, the Company raised new monies totalling £582,000. In March 2011, a further £146,500 was raised by way of a new share issue of 3,662,500 ordinary shares of 0.1 penny. These funds have been and will be used for both working capital purposes and investments in line with the Investing Policy.

Creditors Voluntary Arrangement

In November 2010, the Company was notified by the nominee of the Creditors Voluntary Arrangement ("CVA"), that a resolution had been reached between the remaining creditors and, following this, the Company issued the previously agreed amount of 401,155 ordinary shares of one pence nominal value each. As a result, the company is pleased to report that it has no further obligations under the CVA.

Subdivision of Shares

Also at the last Annual General Meeting, approval was gained to subdivide the ordinary shares of one pence nominal value of the Company at a ratio of ten shares for one, into new ordinary shares of 0.1 pence nominal value. These new ordinary shares were admitted for trading on AIM on 14th December 2010.

Commenting on KleenAir's development, the Chairman, Sarah Pozner, said:

"It has been another eventful period for the Company. We have finally resolved completely some historic corporate issues and have strengthened our equity position in a very exciting new heat and power technology which is targeting the lucrative SME marketplace.

The Company continues to identify and evaluate other potential investments in line with the Investing Policy and plans to invest into a second company in due course."

Sarah Pozner
Chairman

31 March 2011

KLEENAIR SYSTEMS INTERNATIONAL PLC

**Comprehensive Income Statement
for the six months ended 31 December 2010**

	Six months to 31 December 2010 Unaudited £'000s	Six months to 31 December 2009 Unaudited £'000s	Year to 30 June 2010 Audited £'000s
Revenue	10	-	-
Administrative expenses	(59)	(266)	(464)
Reduction in liabilities arising from Company Voluntary Arrangement	-	-	401
	<hr/>	<hr/>	<hr/>
Operating profit	(49)	(266)	(63)
Interest paid	(8)	-	-
	<hr/>	<hr/>	<hr/>
(Loss) before tax	(57)	(266)	(63)
Income tax charges	-	-	-
	<hr/>	<hr/>	<hr/>
(Loss) for the period from continuing operations attributable to shareholders	(57)	(266)	(63)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
(Loss) per share - Pence			
Basic and diluted - after exceptional	(0.15)p	(4.81)p	(0.66)p
- before exceptional	(0.15)p	(4.81)p	(4.84)p
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KLEENAIR SYSTEMS INTERNATIONAL PLC

Statement of Financial Position as at 31 December 2010

	Six months to 31 December 2010 Unaudited	Six months to 31 December 2009 Unaudited	Year to 30 June 2010 Audited
	£'000s	£'000s	£'000s
Assets			
Intangible fixed assets			
Investment	300	-	-
	<hr/>	<hr/>	<hr/>
Current assets			
Trade and other receivables	7	-	4
Cash and cash equivalents	433	-	300
	<hr/>	<hr/>	<hr/>
	440	-	304
	<hr/>	<hr/>	<hr/>
Current liabilities			
Trade and other payables	(32)	(457)	(77)
	<hr/>	<hr/>	<hr/>
	(32)	(457)	(77)
	<hr/>	<hr/>	<hr/>
Net Current assets(Liabilities)	408	(457)	227
Non-Current Liabilities			
Financial liabilities – borrowings and Interest bearing loans	(460)	(192)	(460)
	<hr/>	<hr/>	<hr/>
Net deficit	248	(649)	(233)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Equity			
Capital and reserves			
Called up share capital	452	407	428
Share premium	3,530	2,838	3,030
Other reserves	87	87	87
Profit and loss deficit	(3,821)	(3,981)	(3,778)
	<hr/>	<hr/>	<hr/>
Total	248	(649)	(233)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

KLEENAIR SYSTEMS INTERNATIONAL PLC

**Statement of Changes in Equity
For the six months ended 31 December 2010**

	Share Capital £'000s	Share Premium £'000s	Other Reserves £'000s	Retained Earnings £'000s	Total £'000s
As at 31 December 2009	407	2,838	87	(3,981)	(649)
Loss after tax for the period	-	-	-	(63)	(63)
Issue of shares	21	192	-	-	213
Reduction in creditors under Creditors Voluntary Arrangement	-	-	-	266	266
As at 30 June 2010	428	3,030	87	(3,778)	(233)
Loss after tax for the period	-	-	-	(57)	(57)
Issue of new shares	15	567	-	-	582
Cost of share issue	-	(63)	-	-	(63)
Adjustment for Creditors Voluntary Arrangement	9	(4)	-	14	19
As at 31 December 2010	452	3,530	87	(3,821)	248

KLEENAIR SYSTEMS INTERNATIONAL PLC

**Statement of Cash Flow
For the six months ended 31 December 2010**

		Six months to 31 December 2010 Unaudited	Six months to 31 December 2009 Unaudited	Year to 30 June 2010 Audited
	Note	£'000	£'000	£'000
Operating activities	6	(78)	(252)	(434)
Interest paid		(8)	-	-
		<hr/>	<hr/>	<hr/>
Net cash inflow/(outflow) from operating activities		(86)	(252)	(434)
		<hr/>	<hr/>	<hr/>
Investing activities				
Investment acquired		(300)	-	-
		<hr/>	<hr/>	<hr/>
		(300)	-	-
		<hr/>	<hr/>	<hr/>
Financing activities				
Loans received		-	252	734
Issue of new shares		519	-	-
		<hr/>	<hr/>	<hr/>
Net cash from financing activities		519	252	734
		<hr/>	<hr/>	<hr/>
Net cash inflow(outflow)		133	-	300
		<hr/>	<hr/>	<hr/>
Cash and cash equivalents at the beginning of the period		300	-	-
		<hr/>	<hr/>	<hr/>
Cash and cash equivalents at the end of the period		433	-	300
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

KLEENAIR SYSTEMS INTERNATIONAL PLC

Notes to the Interim Financial Information

1. General Information

Kleenair Systems International Plc is a company incorporated in England and Wales and quoted on the Alternative Investment Market of the London Stock Exchange.

2. Basis of Preparation

These interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and on the historical cost basis, using the accounting policies which are consistent with those set out in the Company's Annual Report and Accounts for the period ended 30 June 2010. This interim financial information for the six months to 31 December 2010, which complies with IAS 34 'Interim Financial Reporting', was approved by the Board on 31 March 2011.

3. Significant Accounting Policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the period ended 30 June 2010, as described in those annual financial statements.

KLEENAIR SYSTEMS INTERNATIONAL PLC

Notes to the Interim Financial Information (continued...)

Taxes

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

Standards and Interpretations adopted with no material effect on financial statements

The following new and revised Standards and Interpretations have been adopted in these financial statements. Their adoption has not had any significant impact on the amounts reported in these financial statements but may effect the accounting for future transactions and arrangements.

<u>Title</u>	<u>Issued</u>	<u>Effective date</u>
IFRIC 19 Extinguishing Financial Liabilities With Equity Instruments	Nov 09	Accounting periods beginning on or after 01 July 2010

Standards and Interpretations issued but not effective on financial statements

The following new and revised Standards and Interpretations have not been adopted in these financial statements as they are not yet effective in the period being reported on.

<u>Title</u>	<u>Issued</u>	<u>Effective date</u>
IFRIC 14 (Amendment) Prepayments of a minimum funding requirement	Nov 09	Accounting periods beginning on or after 01 January 2011
Revised IAS 24 Related Party Disclosures	Nov 09	Accounting periods beginning on or after 01 January 2011
IAS 32 (Amendment) Financial Instruments: Presentation – Classification of Rights Issue 2010	Oct 09	Accounting periods beginning on or after 01 February 2010

Standards and Interpretations issued but not yet EU approved

The following new and revised Standards and Interpretations have not been approved but may have an impact on future accounting.

<u>Title</u>	<u>Issued</u>	<u>Effective date</u>
IFRS 9 Financial Instruments	Nov 09	Accounting periods beginning On or after 01 January 2013

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Notes to the Interim Financial Information (continued...)

4. SEGMENTAL ANALYSIS

The Company's primary reporting format is business segments and its secondary format is geographical segments. The Company only operates in a single business and geographical segment. Accordingly no segmental information for business segment or geographical segment is required.

5. Earnings/(loss) per Share

The loss per ordinary share is based on the Company's loss for the period of £57,000 (31 December 2009 - £266,000; 30 June 2010 - £63,000) and a basic and diluted weighted average number of ordinary shares of £0.001 each in issue of 37,004,285 (31 December 2009 – basic and diluted 5,525,620; 30 June 2010 - basic and diluted 9,586,980).

6. Reconciliation of operating loss to net cash outflow from operating activities.

	Six months to 31 December 2010 £'000s	Six months to 31 December 2009 £'000s	Year to 30 June 2010 £'000s
Operating Loss for the period	(49)	(266)	(63)
Adjustments for :			
(Increase)/decrease in receivables	(3)	-	(4)
Increase/(decrease) in payables	(26)	14	(367)
	(78)	(252)	(434)
Net cash from operating activities	(78)	(252)	(434)

7. Called up Share Capital

The issued share capital is as follows

	Ordinary 'A' shares of £0.001	Ordinary 'A' shares of £0.01	Ordinary 'B' shares of £0.001	Ordinary 'B' shares of £0.01	Deferred shares of £0.99
31 December 2010	48,807,010	-	1,221,200	-	400,932
30 June 2010 (audited)	-	3,024,546	-	122,120	400,932
31 December 2009	-	883,812	-	-	-

8. The unaudited interim financial information for period ended 31 December 2010 do not constitute statutory accounts within the meaning of Section 435 of the Companies Act 2006. The comparative figures for the period ended 30 June 2010 are extracted from the statutory financial statements which have been filed with the Registrar of Companies and which contained a qualified audit report.

9. Copies of this interim financial information document are available from the Company at its registered office at 2nd Floor, 31 Davies Street, London, W1K 4LP. The interim financial information document will also be available on the Company's website www.kleenair-systems.com.