Interim Report 2007

Contents

Dick Elsy, Chief Executive of Torotrak plc said:

"Torotrak has made good progress in the first half of this financial year. The signing of Tata Motors Limited as a licensee earlier in this period has provided us with an ambitious and dynamic partner to work with and gives us access to the strongly growing emerging-market sector. Elsewhere, we have made tangible advances in our diversification of markets and in the commercialisation of our technology. Our Joint Venture, Infinitrak, is on track for volume production and first sales of lawn tractor transmissions in the second half of the year. The Memorandum of Understanding with the European truck and bus manufacturer represents a significant step towards commercial exploitation of a valuable new market for Torotrak. In line with expectations, revenues will be weighted significantly towards the second half of this year and we remain confident of achieving another year of improvement in operating performance."

Half–yearly results for the six months ended 30 September 2007

Torotrak plc, the world leader in full-toroidal traction-drive transmission technology, announces its half-yearly results for the six months ended 30 September 2007.

Business Highlights:

- Three new licensees signed in the half year, including Tata Motors Limited and a new Formula 1 licensee announced separately today
- Excellent progress towards delivery of a prototype transmission for a new IVT equipped fork lift truck for an industry leading customer
- New funding to be committed to the Infinitrak Joint Venture (JV) to commence the development of a second low-cost lawn tractor transmission with broad application across the outdoor power equipment (OPE) market
- Memorandum of Understanding (MOU) signed with a major European truck and bus manufacturer to commence a prototype engineering programme and to support the completion of a substantial licence agreement which is expected to be concluded during the second half of this financial year

Financial Highlights:

- £6.7m of new net equity funds, secured from the successful Placing and Open Offer, has strengthened cash resources to support business growth
- Lower first half revenues of £0.5m (2006: £1.8m) reflect the later timing of engineering programmes and licence income in this financial year
- The Directors are confident of achieving continued full-year revenue growth and of delivering this year's key financial objective of strong improvement in operating cash performance

Results

New Customers and Licensees

In July, we reported that we were seeking to finalise a licence agreement with a leading Asian car and commercial vehicle manufacturer. We were therefore very pleased to announce on 1 October that we had entered into a formal Licence Agreement with Tata Motors Limited, with whom we are now engaged on a technology transfer programme which is expected to conclude with a decision by Tata Motors Limited on their first area of application of our technology. This licence agreement is subject to approval by the Indian Government which is progressing in accordance with our expectations and is anticipated in the second half of this financial year.

In our new sector of motorsport, we have made more rapid progress than expected when last reporting in July and, as a result, we have signed up two new licensees to develop Torotrak technology for application in Formula 1 (F1) racing. We are delighted to be securing new business in this high profile and fast moving market.

Our work with a major European truck and bus manufacturer has also progressed ahead of our July expectations in terms of both engineering activity and commercial arrangements. We are pleased to report that we have signed a MOU with this customer which authorises the commencement of an engineering programme and outlines the key elements of a proposed licence agreement. We expect to conclude formal agreements with this major customer in the second half of this financial year, when further details will be released as appropriate.

Revenues

As a result of the timing of our licence agreements and engineering programmes, revenues will be substantially weighted towards the second half of the current financial year to 31 March 2008. This profile was anticipated in our 2007 Preliminary Results announcement in May and again in the Prospectus for the Placing and Open Offer which was issued in July. We expect strong revenue performance in the second half of the financial year and hence to deliver another year of revenue growth.

Revenues of £521k in the six months to 30 September 2007 (2006: £1,829k) reflect mainly the successful completion of the first stage of our engineering prototype programme for a leading fork lift truck manufacturer, where we earned £236k in the period, as well as licence fees relating to the two new licensees in the new field of motorsport worth £150k in the period. We have also continued to work with our existing automotive, off-highway and outdoor power equipment customers by providing fee-earning engineering support worth £135k in the period, as well as undertaking substantial business and engineering development activity.

Revenues in the corresponding six months to 30 September 2006 reflected a high level of licence revenue in relation to Infinitrak (2006: £792k) and a substantially first half weighted engineering programme (2006 engineering fees: £1,037k).

Our JV, Infinitrak, has continued to prepare for series production with pilot-build runs and extensive field trials. We reported in July that Infinitrak sales volumes in the first year will depend upon both the acceptance of the first transmission product, the twin toroidal transmission (TTT), for the 2008 mowing season as well as the marketing decisions by Infinitrak's first customer and JV partner, MTD. At the JV's November board meeting it was agreed that the primary aim for the first year of sales, covering the 2008 mowing season, is to have launched a distinct and thoroughly trialled product rather than push for high first year volumes. In addition, it was agreed to enhance that plan by progressing the development of an additional, higher volume transmission which will provide greater third party sales capability. This re-balanced business plan for Infinitrak may result in lower first year volumes than originally envisaged, although the net financial impact this year is likely to be slightly favourable due to lower production and development start up costs.

Operating Loss

Operating costs of £3,152k, before non-recurring items, reduced by £194k compared to the corresponding six months to 30 September 2006, whilst our engineering capability was maintained at the levels reported at the full year to 31 March 2007. Non-recurring expenses of £164k were incurred as a result of costs associated with the raising of new equity funds, albeit not directly associated with the Placing and Open Offer.

Operating losses increased by £1,165k to £2,795k, reflecting mainly the lower level of revenues realised in the period. In view mainly of the higher revenue anticipated in the second half of the current financial year, we expect losses for the full year to reduce markedly.

The proportion of our engineering resources utilised on revenue generating activities reduced to 46% during the period (2006: c60%), reflecting the higher level of activity in the first half of this year on business and engineering development.

Cash

As reported on 13 August, the Open Offer element of our recent Placing and Open Offer was nearly twice oversubscribed. We were delighted to have raised our target of £7,510k gross funds, resulting in £6,741k after expenses associated with the issue. These funds have substantially strengthened our cash reserves, with £8,676k Group cash at 30 September 2007 (£4,307k at 31 March 2007) available to support business growth.

The rate of operating cash consumption in the first half of £2,442k is £451k higher than the corresponding 6 months to 30 September 2006 due mainly to the £1,165k increase in operating losses in this period as a result of the lower first half weighting of revenues, offset by an improved working capital position.

We believe that, with the anticipated strong level of business activity in the second half of the financial year, this year's key measure of delivering improvement in year on year operating cash performance will be delivered at least in line with expectations.

Technology and Market Review

Torotrak has continued to make good overall progress in line with the objectives reported within the 19 July 2007 Prospectus.

Confirmed New Licensees

A further three new licensees were secured in the first half of the financial year.

We announced on 1 October that we had secured a licence agreement with Tata Motors Limited. The licence is broad ranging, covering a number of fields from low cost entry level cars through to their large commercial vehicles and trucks. We await the final approval of the licence by the Indian Government, although in anticipation of this we have commenced the process of transferring our technology into the Tata engineering team as a precursor to the planning and development of their first application. The nature of this initial application is not yet decided and a number of alternatives are under consideration. We are pleased to be working with this new and prestigious licensee, both in India and with their significant European engineering operation which is based in the UK.

Motorsport is a new sector for Torotrak which we have only recently begun to explore, and yet it has already yielded important progress for the Company. This industry moves quickly to embrace new technologies and new developments and is well resourced with technical expertise. We were delighted in this period to have signed up Xtrac Ltd as a licensee to use Torotrak's traction drive technology to develop a novel, highly efficient and compact continuously variable transmission (CVT) for application in a new mechanical kinetic energy recovery system (KERS) expected to be used in F1 motor racing from the 2009 season onwards. The KERS system comprises a high speed mechanical flywheel and a variable drive unit using Torotrak technology. The variable drive unit has been engineered and manufactured by Xtrac who are a leading supplier of transmissions to the motorsport industry. The first variable drive units are currently on test on our rig facilities in Leyland.

On 24 September, we confirmed that a major F1 racing team had become the first customer for this mechanical KERS system. This team will be supplied through Silverstone based Flybrid Systems, which is working in cooperation with both Xtrac and Torotrak. We can now confirm that a second F1 team has begun development of the technology and has become a licensee of Torotrak. This team has decided to work directly with Torotrak to develop the technology for application for the 2009 racing season. For confidentiality reasons, neither of these F1 teams can be named, but they will initially be contributing licence and engineering fees in the region of £75k to £100k each per annum.

We were pleased that our efforts to bring new technologies to motorsport have been recognised by a prestigious industry award. On 5 November Torotrak, Xtrac and Flybrid systems won the 'Engine Innovation of the Year' at the World Motorsport Expo in Cologne, Germany. This award has significantly boosted awareness of the capability of our technology not only in motorsport but also among the wider automotive community.

Outdoor Power Equipment

Our work with our JV partners, MTD, has continued to focus on the development and maturation of the production process at the Infinitrak production facilities at Leitchfield Kentucky and amongst the numerous suppliers of components for the TTT.

Infinitrak's focus since the announcement of pilot production in March has been to ensure complete robustness of the launch of the technology and to ensure full production consistency. Infinitrak has continued to build small batches of transmissions through the pilot build process and has undertaken significant rig and vehicle validation testing, accounting for several thousand test hours. The JV has further developed the initial TTT transmission to be capable of use in a wider range of MTD lawn mowers with minimal required modifications, thus broadening its market applicability and supporting the plans for a full year of volume production in our next financial year.

The JV partners are agreed that this extensive process, whilst reducing first year volumes compared to our original expectations, has resulted in a robust and capable product with strengthened market appeal. We believe strongly that Infinitrak's long term prospects have benefited from this measured approach to production launch.

We can also confirm that, following a very positive JV Board Meeting on 14 November, both partners have agreed to commit new funding for a programme of product development to develop a second product line of low-cost Infinitrak transmissions. We expect this new unit to have broad application within the OPE market which will facilitate third party sales.

Our partner, MTD, remains, as we do, both committed and excited about the business potential of Infinitrak's new transmission technology across the OPE market.

Whilst confirming the intent to proceed with scaling up to volume production during this financial year, MTD's plans for vehicles equipped with IVT for the 2008 mowing season, which will now be aimed at a more targeted, initial launch, are still to be finalised. Production volumes for the period to April 2008 are therefore yet to be confirmed although in anticipation of production ramp up, 5,000 sets of key components such as the disc, rollers and casings have been ordered and produced. It would be prudent to assume that volume production and sales will not commence until the final quarter of this year, later than originally planned, with sales volumes in this year possibly lower than the minimum 5,000 units anticipated in July. The financial impact in this financial year in terms of potentially lower sales volumes does not have any material effect on either Infinitrak's business plan or Torotrak's short or medium term net earnings expectations. We will be in a position to report further on Infinitrak's first year production volumes following our fourth quarter when we announce Torotrak's Preliminary Results.

Off-Highway

Our licensees in the off-highway market continue to make progress with their development of our technology in the field of medium sized tractors. In recent meetings with two licensees, we have been given visibility of their latest production plans. In both cases, they believe that IVT launch will be optimised if timed to coincide with new vehicle launches, or significant model updates, when the beneficial features of the Torotrak transmission can be strongly marketed. We are therefore expecting both of these licensees to align the commencement of volume production of IVT in this manner and, as a consequence, we now expect production during the 2010 calendar year.

We continue to develop our business further in this sector with a number of new and interested parties. New business development in the agricultural vehicle sector has been helped by a number of notable technical developments at Torotrak in the area of electronic control strategy which has attracted considerable interest across the off-highway market. In addition, we have recently shipped a hydro-mechanically controlled, IVT equipped tractor overseas for an extended programme of customer demonstrations to take place across two continents. The demonstrator vehicle is a powerful marketing tool and is opening up positive new leads for the Company.

Our prototype programme with an industry leading fork lift truck company is progressing to plan with build of the first prototype transmission and subsequent installation into the client's truck about to commence. From the work we have carried out for this customer, it is clear that there is strong competitive and commercial value in our proposition. The prototype programme is projecting a saving in excess of 15% in fuel economy, with anticipated unit costs below those of competitive technologies such as hydrostatic drives.

Automotive

In the premium automotive sector, we continue our work with Aisin AW on the development of a rear drive transmission for a premium saloon car. We still await confirmation of the next programme step which is expected to include work to further develop the Epicycloidal Roller Control (ERC) configuration into a fully functioning transmission module. Aisin AW is, in turn, awaiting direction from its prime customer on this programme. Aisin has however indicated that it intends to continue with the development of this technology independently and also to consider broader application beyond the premium car segment, including small cars.

Our progress in motorsport with the KERS system has not gone unnoticed within the mainstream automotive sector. With the automotive sector struggling to develop a robust business case for electrical hybrids, an alternative mechanical hybrid route looks very appealing, particularly for performance road car use. This is a potential opportunity that we will explore through our business development activities.

Truck and Bus

We last reported that we had worked with a leading European truck and bus manufacturer to complete a detailed cost and engineering concept study of a proposed main-drive transmission for one of their vehicles, and that we were in the early stages of negotiation relating to their application of our technology. The MOU that we have now signed with this customer confirms authority for Torotrak to proceed with an engineering development programme and also provides the basis of a substantial licence agreement which we expect to conclude during the second half of this financial year, at which point further details will be reported as appropriate. This relationship has the potential to develop into a very significant new opportunity in a new and valuable market for Torotrak.

Outlook

The Group has made strong progress in the first half of the year through securing new licensees and by advancing major agreements with new customers. We expect to conclude a new licence agreement with the European truck and bus manufacturer in the second half of this financial year, which will bring with it a major engineering programme.

The timing of programmes in this financial year has meant that we are now anticipating substantial revenue growth in the second half. The Directors expect that this year's key financial measure of improvement in year on year operating cash performance will be delivered at least in line with expectations.

With the substantial strengthening of our cash position following the Placing and Open Offer, together with the strong engineering order book, the Company is well placed to take advantage of the increasing range of opportunities to commercialise Torotrak's intellectual property, with Infinitrak remaining the first key application of our technology.

Independent review report to Torotrak plc

Introduction

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2007, which comprises the consolidated income statement, consolidated statement of recognised income and expense, consolidated balance sheet, consolidated cash flow statement and related notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

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 half-yearly financial 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 half-yearly financial report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of the Disclosure and Transparency Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 half-yearly financial report for the six months ended 30 September 2007 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

PricewaterhouseCoopers LLP
Chartered Accountants
27 November 2007
Manchester

Consolidated Income Statement

for six months ended 30 September 2007

	Notes	Unaudited six months to 30/09/07 £000	Restated unaudited six months to 30/09/06 £000
Revenue	5	521	1,829
Development expenses		(2,283)	(2,450)
Administrative expenses - normal		(869)	(896)
Administrative expenses - non-recurring operating costs	6	(164)	(113)
Total administrative expenses		(1,033)	(1,009)
Operating loss		(2,795)	(1,630)
Finance income		146	148
Loss before taxation		(2,649)	(1,482)
Taxation	10	200	187
Loss for the period	14	(2,449)	(1,295)
Basic and diluted loss per share (pence)	7	(1.93)	(1.08)

The results above derive from continuing operations.

Consolidated Statement of Recognised Income and Expense

	Unaudited six months to 30/09/07 £000	Unaudited six months to 30/09/06 £000
Currency translation differences	(7)	-
Net expense recognised in equity	(7)	-
Loss for the period	(2,449)	(1,295)
Total recognised expense for the period	(2,456)	(1,295)

The notes on pages 13 to 20 form an integral part of the condensed half-yearly financial information.

Consolidated Balance Sheet

as at 30 September 2007

	Notes	Unaudited as at 30/09/07 £000	Audited as at 31/03/07 £000	Restated unaudited as at 30/09/06 £000
Non current assets				
Intangible assets	9	1,084	1,027	1,137
Property, plant and equipment	9	1,044	1,087	886
Total non current assets		2,128	2,114	2,023
Current assets				
Inventories		35	46	-
Trade and other receivables	11	1,644	1,326	1,500
Current tax		468	268	641
Cash and cash equivalents	13	8,676	4,307	5,356
Total current assets		10,823	5,947	7,497
Total assets		12,951	8,061	9,520
Current liabilities				
Trade and other payables	12	(1,094)	(755)	(700)
Total current liabilities		(1,094)	(755)	(700)
Net assets		11,857	7,306	8,820
Capital and reserves				
Called up share capital	14	14,608	11,990	11,990
Share premium account	14	52,766	48,298	48,298
Other reserves	14	(202)	(262)	(397)
Retained earnings	14	(55,315)	(52,720)	(51,071)
Total equity		11,857	7,306	8,820

The notes on pages 13 to 20 form an integral part of the condensed half-yearly financial information.

Consolidated Cash Flow Statement

for the six months ended 30 September 2007

	Notes	Unaudited six months to 30/09/07 £000	Restated unaudited six months to 30/09/06 £000
Loss for the period		(2,449)	(1,295)
Adjustments for:			
Depreciation	9	75	85
Amortisation	9	50	51
Finance income receivable		(146)	(148)
(Profit) on disposal of plant and equipment		-	(11)
Loss on disposal of intangible assets		2	4
Taxation	10	(200)	(200)
Decrease in inventories		11	-
(Increase) in trade and other receivables		(282)	(544)
Increase /(decrease) in trade and other payables		231	(216)
Charges in relation equity settled employee share schemes and bonuses		266	283
Net cash used in operating activities		(2,442)	(1,991)
Cash flows from investing activities			
Acquisition of property,plant and equipment		(32)	(186)
Proceeds from sale of plant and equipment		-	11
Acquisition of patents		(109)	(109)
Finance income received		110	159
Net cash used in investing activities		(31)	(125)
Cash flows from financing activities			
Net proceeds from the issue of share capital		6,849	-
Net cash generated in financing activities		6,849	-
Net increase/(decrease) in cash and cash equivalents		4,376	(2,116)
Cash and cash equivalents at start of period		4,307	7,472
Exchange loss on currency translation		(7)	-
Cash and cash equivalents at end of period		8,676	5,356
Cash and cash equivalents held in the JV not under direct control of the Group		162	5

Notes to the interim financial information

1 General Information

The Company is a limited liability company incorporated and domiciled in the UK. The address of its registered office is 1 Aston Way, Leyland, Lancashire PR26 7UX.

The Company is listed on the London Stock Exchange.

This condensed consolidated half-yearly financial information was approved for issue on 27 November 2007.

These interim financial results do not comprise statutory accounts within the meaning of Section 240 of the Companies Act 1985. Statutory accounts for the year ended 31 March 2007 were approved by the Board of Directors on 15 May 2007 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under Section 237 of the Companies Act 1985.

2 Basis of Preparation

This condensed consolidated half-yearly financial information for the half year ended 30 September 2007 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with IAS 34, 'Interim financial reporting' as adopted by the European Union. The half-yearly condensed consolidated financial report should be read in conjunction with the annual financial statements for the year ended 31 March 2007, which have been prepared in accordance with IFRSs as adopted by the European Union.

3 Accounting Policies

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 March 2007, as described in those annual financial statements. The accounting policy for the consolidation of the Joint Venture was changed from equity accounting to proportionate consolidation for the year ending 31 March 2007. Therefore, the comparatives for the half year 30 September 2006 have been restated accordingly. Further details are provided in note 8.

The following new standards, amendments to standards or interpretations are mandatory for the first time for the financial year ending 31 March 2008.

- IFRIC 8, 'Scope of IFRS 2', effective for annual periods beginning on or after 1 May 2006. This interpretation has not had any impact on the recognition of share-based payments in the Group.

- IFRIC 9, 'Reassessment of embedded derivatives', effective for annual periods beginning on or after 1 June 2006. This interpretation has not had a significant impact on the reassessment of embedded derivatives as the Group already assessed if embedded derivative should be separated using principles consistent with IFRIC 9.

- IFRIC 10, 'Interims and impairment', effective for annual periods beginning on or after 1 November 2006. This interpretation has not had any impact on the timing or recognition of impairment losses as the Group already accounted for such amounts using principles consistent with IFRIC 10.

- IFRS 7, 'Financial instruments: Disclosures', effective for annual periods beginning on or after 1 January 2007. IAS 1, 'Amendments to capital disclosures', effective for annual periods beginning on or after 1 January 2007. IFRS 4, 'Insurance contracts', revised implementation guidance, effective when an entity adopts IFRS 7. As this interim report contains only condensed financial statements, and as there are no material financial instrument related transactions in the period, full IFRS 7 disclosures are not required at this stage. The full IFRS 7 disclosures, including the sensitivity analysis to market risk and capital disclosures required by the amendment of IAS 1, will be given in the annual financial statements.

- IFRIC 11, 'IFRS 2. Group and treasury share transactions', effective for annual periods beginning on or after 1 March 2007. This interpretation provides clarification on how to account for share-based payment arrangements where an entity receives goods or services as consideration for its own equity instruments. IFRIC 11 also provides guidance on how to account for share-based payment arrangements in a subsidiary that has an obligation to provide its employees with parent equity instruments for the services it receives from its employees.

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year ending 31 March 2008 and have not been early adopted:

- IFRIC 12. 'Service concession arrangements', effective for annual periods beginning on or after 1 January 2008. Management do not expect this interpretation to be relevant for the Group.

- IFRS 8. 'Operating segments', effective for annual periods beginning on or after 1 January 2009, subject to EU endorsement. Management do not currently foresee any changes to the Group's business segments.

4 Segmental Analysis

In the opinion of the Directors, the Group operates in one primary segment being the business of the design and development of traction drive Infinitely Variable Transmissions (IVT). In the opinion of the Directors, and given the early stage of commercialisation of the Group's intellectual property, the Group does not currently operate in markets or geographical segments that are materially distinguishable in terms of risks and returns.

5 Revenue

The Group has eliminated unrealised profits on sales made to its Joint Venture against gross revenues.

	Unaudited six months to 30/09/07 £000	Unaudited six months to 30/09/06 £000
Gross revenue	521	2,691
Elimination of unrealised profit on licence sales to Joint Venture	-	(792)
Elimination of unrealised profit on services to the Joint Venture	-	(70)
	521	1,829

Revenue from licence sales to the Joint Venture (JV) relates to the contribution of intellectual property to the JV in accordance with the JV agreement. The gross revenue has been eliminated so that only the element that relates to the other Joint Venture party remains.

The revenue of the Company over the six month period to 30 September 2007 is not affected by seasonality.

Group revenue comprises engineering services and other income as analysed below.

	Unaudited six months to 30/09/07 £000	Unaudited six months to 30/09/06 £000
Engineering services	371	1,037
Licence, option fees and sale of IP rights	150	792
Total	521	1,829

6 Administrative Expenses

The following non-recurring operating costs have been charged to operating profit during the half-yearly period:

	Unaudited six months to 30/09/07 £000	Unaudited six months to 30/09/06 £000
Costs incurred in relation to the refinancing that are not directly attributable to the share placing	164	
Additional interim Director costs during absence of previous Finance Director due to illness	-	113

7 Earnings per Share

Basic loss per share is based on the loss after tax of £2,449,000 (2006: £1,295,000) and 126.5 million shares (2006: 119.0 million) being the weighted average number of shares in issue during the year.

	Unaudited six months to 30/09/07	Unaudited six months to 30/09/06
The basic and diluted earnings per share from continuing operations attributable to the equity holders of the Company (pence)	(1.93)	(1.08)

In accordance with IAS33 'Earnings per Share' the number of shares used in the calculation excludes the weighted average number of shares held by the Employee Share Trust of 324,225 (2006: 844,826).

8 Jointly Controlled Entity (Joint Venture)

As reported in the Group accounts for the year ended 31 March 2007 the Group changed its accounting policy for the consolidation of Joint Ventures to proportionate consolidation instead of equity accounting.

It is considered that proportionate consolidation better reflects the economic substance of the interest in Infinitrak and its impact on Group results and therefore provides more relevant and reliable information to the readers of the accounts.

As a result of the adoption of proportionate consolidation the Group's share of income, expense, assets, liabilities and cash flows of the jointly controlled entity are combined with items in the results on a line-by-line basis.

The impact of the change in accounting policy on the 2006 interim financial statements is detailed below. The net impact of the change in accounting policy on reserves and net assets is £nil (2006: £nil).

In the Consolidated Income Statement the share of the Joint Venture loss of £226,000 in 2006 has been reallocated to development expenses of £126,000 and administrative expenses of £100,000.

In the Consolidated Balance Sheet the share of net assets of the Joint Venture of £503,000 in 2006 has been reallocated to property, plant and equipment of £125,000, trade and other receivables of £546,000, cash and cash equivalents of £5,000 and trade and other payables of £173,000.

In the Consolidated Cash Flow the increase in the share of net assets of the Joint Venture of £497,000 in 2006 was reallocated to an acquisition of property, plant and equipment of £125,000, an increase in trade and other receivables of £348,000 and a decrease in trade and other payables of £24,000.

9 Fixed Assets

	Intangible assets - patents £000	Property, plant and equipment £000	Total £000
Net book value at 1 April 2006	1,083	785	1,868
Restated expenditure/additions	109	186	295
Disposals	(4)	-	(4)
Amortisation /depreciation	(51)	(85)	(136)
Restated net book value at 30 September 2006	1,137	886	2,023
Expenditure/additions	111	283	394
Disposals	(118)	(1)	(119)
Amortisation /depreciation	(103)	(81)	(184)
Net book value at 31 March 2007	1,027	1,087	2,114
Expenditure/additions	109	32	141
Disposals	(2)	-	(2)
Amortisation /depreciation	(50)	(75)	(125)
Net book value at 30 September 2007	1,084	1,044	2,128

10 Taxation

The credit for taxation is based on the estimated effective rate for the year as a whole, adjusted for taxation losses brought forward and reflects research and development tax credits.

11 Trade and Other Receivables

	Unaudited at 30/09/07 £000	At 31/03/07 £000	Restated unaudited at 30/09/06 £000
Trade receivables	191	123	45
Accrued income	969	980	599
Other receivables and prepayments	484	223	856
	1,644	1,326	1,500

12 Trade and Other Payables

	Unaudited at 30/09/07 £000	At 31/03/07 £000	Restated unaudited at 30/09/06 £000
Trade payables	215	132	132
Overseas tax	116	116	19
Accruals and deferred income	763	507	549
	1,094	755	700

13 Financial Instruments, Assets and Liabilities

	Unaudited at 30/09/07 £000	At 31/03/07 £000	Restated unaudited at 30/09/06 £000
Cash	(50)	780	2,126
Sterling cash deposits	8,564	3,293	3,225
Cash held in the Joint Venture	162	234	5
	8,676	4,307	5,356

14 Reconciliation of Share Capital and Reserves Attributable to Equity Holders of the Parent

	Share capital £000	Share premium account £000	Other reserve £000	Accumulated loss £000	Total £000
At 1 April 2006	11,990	48,298	(1,567)	(48,889)	9,832
Loss for the period	-	-	-	(1,295)	(1,295)
Shares issued by trust	-	-	1,170	(1,170)	-
Employee share based payments (value of employee services)	-	-	-	283	283
At 30 September 2006	11,990	48,298	(397)	(51,071)	8,820
Loss for the period	-	-	-	(1,604)	(1,604)
Shares issued by trust	-	-	135	(135)	-
Employee share based payments (value of employee services)	-	-	-	106	106
Translation differences in JV	-	-	-	(16)	(16)
At 31 March 2007	11,990	48,298	(262)	(52,720)	7,306
Loss for the period	-	-	-	(2,449)	(2,449)
Shares issued by trust	-	-	405	(405)	-
Employee share based payments (value of employee services)	-	-	-	266	266
Transfer of shares to employees share trust	-	-	(345)	-	(345)
Issue of share capital	2,618	5,237	-	-	7,855
Issues costs	-	(769)	-	-	(769)
Translation differences in JV	-	-	-	(7)	(7)
At 30 September 2007	14,608	52,766	(202)	(55,315)	11,857

The Company raised £4.99 million (net of expenses and loan to the Employee Share Trust) through a firm placing of 20,333,333 shares at a price of £0.30p per share. This represents 13.9% of the enlarged share capital.

The Company also raised £1.75 million by the issue of 5,848,820 new ordinary shares through an Open Offer (representing 4.0% of the enlarged share capital) at an issue price of £0.30p per share.

The Company created a loan facility of £2.1 million with the trustee of the Employee Share Trust (EST), of which £345,000 was drawn down by the EST to enable the trustee to subscribe for 1,151,180 shares at the issue price. This loan is in addition to the previous loan of £113,000 set up in March 1999. These loans are repayable on demand and are interest free. The liability of the Trustee is limited to the lower of the amount of the loan outstanding and the value of the assets of the EST.

Reconciliation of amounts receivable from share placing to cash received.

	£000
Issue of share capital	2,618
Share premium	5,237
Total issue costs	(769)
Loan to Employee Share Trust	(345)
Net proceeds	6,741
Issue costs not yet paid	108
Cash received at 30 September 2007	6,849

Statement of Directors' Responsibilities

The Directors confirm that this condensed set of financial statements has been prepared in accordance with IAS 34 as adopted by the European Union, and that the interim management report herein includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8.

The Directors of Torotrak plc are listed in the Torotrak plc Annual Report for 31 March 2007. There have been no changes since that date. A list of current Directors is maintained on the Torotrak plc website: www.torotrak.com.

By order of the Board

Dick Elsy – Chief Executive
Jeremy Deering – Finance Director
27 November 2007

Notes:

(a) The maintenance and integrity of the Torotrak plc website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the interim report since it was initially presented on the web site.

(b) Legislation in the United Kingdom governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

Timetable for communication to shareholders

Announcement of preliminary results:	**May 2008**
Annual report posted to shareholders:	**June 2008**
Annual general meeting, Leyland:	**July 2008**

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