

24 November 2009

**Torotrak plc**  
**("Torotrak" or "the Company")**

**Half-year results for the six months ended 30 September 2009**

Torotrak plc, the world leader in full-toroidal traction drive transmission technology, announces its half-year results for the six months ended 30 September 2009.

**Financial highlights:**

- Revenue grows to £1.4m (2008: £0.9m) in first half
- Trading consistent with May 2009 outlook and in-line with market expectations
- Funding remains strong with £12.3m cash resources at 30 September 2009 (2008: £9.7m)
- Anticipated strong revenue growth in the second half in line with our target of close to breakeven in profit after tax for the full year

**Business highlights:**

- Engineering development programmes with Allison Transmission Inc and leading European truck and bus manufacturer both progressing well, with key milestones achieved
- Good progress with second Infinitrak transmission for low-cost applications nearing production readiness in the Outdoor Power Equipment sector
- Torotrak licensee and major European off highway manufacturer Carraro reveals the "VaryT" - a range of new transmissions based on Torotrak technology
- "Green" credentials endorsed with the announcement today of two new part government funded programmes to develop kinetic energy recovery systems (KERS):
  - Torotrak leads £1m "Flybus" project to develop a mechanical hybrid system for Commercial Vehicle applications
  - Torotrak supports "KinerStor" project for wider KERS applications

**Dick Elsy, Chief Executive, said:**

"Our customers and licensees have a strong appreciation of the value of our technology and of the wide ranging environmental and consumer benefits that it brings. This is reflected in the extent and pace of their development and implementation work across our markets. As endorsement becomes more visible and as momentum gains we have increasing certainty of outcome. As a result we are on target to deliver our commercial and financial objectives for the year."

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## Summary

Revenues grew by 52% to £1,412k (2008: £927k) in the six months to 30 September 2009, reflecting strong engineering activity and increased licence income. As with last year, we expect a substantial increase in revenues in the second half of the financial year, in line with our target of strong year on year revenue growth and a near break even position in profit after tax for the full year.

## Customer and market review

### Business strategy

The business strategy driving our operating activities is:

- to realise short term financial returns through engineering income and initial payments from licensing
- to realise longer term financial returns through recurring income flows generated from sales of products that incorporate our technology
- to focus our resources on working with customers in sectors where we have validated opportunities that demonstrate positive returns
- to maintain a high level of financial strength

Good progress has been made against each of these strategic objectives.

### Commercial Vehicles

#### *Prototype programmes with lead customers*

In the Commercial Vehicle market, we entered this financial period having secured substantial licensing and engineering agreements, through our exclusive arrangements with Allison Transmission Inc (Allison) and with a European truck and bus manufacturer (ETBM), where the customer has requested that its name is not disclosed at this stage. We have achieved a number of important project milestones with both of these customers. We have had an intensive start to our relationship with Allison, focusing on the transfer of skills and knowledge as well as completing key phases of our engineering programme. With ETBM, we have successfully completed the design phase of the first large truck transmission to feature Torotrak technology and have now substantially completed the associated prototype procurement programme.

The achievement of these milestones builds confidence within the engineering programmes and with our customers and provides tangible demonstration of progress. We are now working on the build of the first commercial vehicle prototype transmissions which will be tested in the second half of this year. Further testing is also currently underway to prove out the capability of our technology at system and sub-system levels in demanding commercial duty applications.

Growing confidence within these development programmes is leading to a corresponding increase in confidence for successful longer-term commercial exploitation, based on the realisation of substantial per-unit royalties for Torotrak in this very valuable market. The experience gained in previous programmes has contributed strongly to the success of these latest ventures and demonstrates that we are now able to move swiftly and cost-effectively from concept, through design to prototype, so that opportunities can be quickly and efficiently developed.

#### *New Government supported programme*

Torotrak's continued commitment to research and development and, in particular, in relation to the impact of traction drives to dramatically improve environmental performance, has been rewarded with a new Government supported programme called "Flybus".

In the Flybus programme, Torotrak will lead a consortium developing a kinetic energy recovery system (KERS) aimed at improving the fuel economy, emissions and running costs of urban buses

and other heavy vehicles which typically operate a stop-start drive cycle. The programme explores the potential for this system to be fitted as original equipment or to be retrofitted to vehicles already in use, significantly increasing the potential market. The other partners are Ricardo plc and Optare plc; additional integration expertise will be provided by Allison, Torotrak's major shareholder and licensee.

The £1m project which is 50% funded by the UK Government's Technology Strategy Board (TSB), is configured to "fast track" the development of a mechanical KERS and to have it installed in a demonstrator bus within a year of project commencement which is expected to be confirmed early in 2010. Torotrak will commit approximately £0.5m over the next year in the form of engineering and development resources, 50% of which will be funded by TSB. We are very excited about this opportunity to showcase the broader application of Torotrak technology, beyond main transmission drives, and to demonstrate the powerful potential for substantial fuel and emissions savings at an affordable cost.

### **Outdoor Power Equipment (OPE)**

In Outdoor Power Equipment, development of the new Single Toroidal Transmission (STT) at Infinitrak is progressing well with rig testing and field trials nearing completion. As reported in May, the timing of the development programme has been necessarily aggressive in order to support the joint venture partners' objectives of launching the STT for sale in ride-on mowers in the Spring of 2010. We can report encouraging progress, with the accumulation of substantial field testing and rig testing hours being complete using prototype parts but, at this stage, only partially complete in terms of production tooled parts. Timing for this programme remains tight and, as previously reported, Infinitrak will only launch when full quality processes are complete.

Production capacity is now installed and ready for start-up pending the outcome of the final engineering and testing regime. Exact timing and volumes will be subject to both the outcome of the tests and also the level of demand experienced for OPE product. However, our target is to achieve an introduction into customer products in the middle of the build season, which typically commences around November and completes in March.

We reported in May that several potential clients were expressing an interest in Infinitrak's new technology and this has led to early-stage engagement with a number of third party customers (other than our joint venture partner, MTD). This initial interest has been progressed to include controlled demonstrations to prospective clients, carried out under appropriate confidentiality and intellectual property agreements, of Infinitrak's new technology for which patent applications have been filed.

Testing against competitor hydrostatic units has demonstrated that the STT can provide substantial competitive advantages for customers using the technology. This potential has been reinforced by knowledgeable dealers in the ride-on lawn mower sector who have reacted extremely favourably to initial product information and exposure to prototypes.

### **Off-highway**

In the Off-Highway market, Torotrak's technology was given significant public endorsement this month at Agritechnica, the major bi-annual off highway exhibition held in Hannover. Major agriculture industry manufacturer and Torotrak licensee, Carraro, unveiled at the show its new family of transmissions which feature our technology. Under the brand name of VaryT, Carraro announced its strategy to roll-out a full range of new variable drive transmissions over the next five years covering a wide range of the mainstream agricultural tractor transmission market. The confidence that Carraro has shown in Torotrak's technology is reflected in its own assessment of the key benefits of the technology in agriculture applications which it enumerates as:

- guaranteed savings in fuel consumption and CO<sub>2</sub> emissions
- productivity improvements through increased driver comfort and ease of use
- overall transmission efficiency – described as "best in market" for variable drive units

The confidence shown by Carraro, one of the world leaders in this sector, confirms the capability of Torotrak's technology to deliver highly differentiated transmission products that align with increasingly strong market demands for 'green' performance, reduced operating costs and functional benefits such as increased controllability and productivity.

We reported in May that our focus in this market would be selective and that we would engage only with recognised, major players in the industry. This approach is being taken to ensure that our technology can be developed with sound engineering and financial commitment and therefore with high confidence of securing good market penetration. We remain optimistic that this business development approach, coupled with the increasing endorsement from existing licensees and wider exposure within the market as exemplified by Carraro's publicly stated product plans, will yield positive results. However, the trading challenges that this market has faced in the last year have inevitably impacted the investment decisions of our existing and target clients which means that we have to maintain both focus and patience in developing the opportunities that we have identified.

## **Automotive**

In the Automotive market, Torotrak's ability to contribute technology and expertise to improving environmental performance continues to be recognised through our inclusion in UK Government-supported programmes.

As detailed in our last annual report, Torotrak is a member of a consortium which was formed in 2008, part funded by the Government's TSB, that is designing and developing a mechanical hybrid KERS for premium segment passenger cars. This particular programme, called Flywheel Hybrid System for Premium Vehicles (FHSPV), is led by Jaguar; the other consortium members are Ford, Prodrive, Ricardo, Flybrid Systems and Xtrac.

In addition to our leadership of the Flybus project identified previously, Torotrak is confirmed today as a partner in the KinerStor project, aimed at demonstrating the viability of low-cost, high-efficiency flywheel hybrid systems to enable the mass-market adoption of hybrid technology in price sensitive applications. This programme, also part-funded by the UK Government's Technology Strategy Board (TSB), is being led by Ricardo plc and includes Crompton Technology Group (CTG), JCB, Land Rover, SKF and Williams Hybrid Power as the remaining collaborative partners. Torotrak's involvement in KinerStor will be to design, develop and supply the toroidal KERS CVT to connect a mechanical, magnetically coupled flywheel system, developed by Ricardo and known as Kinergy, into the application vehicle's driveline.

Each of these programmes utilises one of our new technology offerings, a Toroidal Variable Auxiliary Drive (TVAD), in the form of a KERS-CVT. TVADs have the capability to be used across a broad range of applications including KERS-CVTs and a variety of engine mounted auxiliary units such as alternators and air conditioning compressors. Torotrak's TVADs provide a variable drive technology that allows these mechanical systems to be driven more smoothly, more efficiently and with a higher degree of control than is possible with today's production technologies.

In main drive transmissions, our technology is becoming increasingly relevant at the very low cost end of the automotive market, where simple solutions are required to meet new, very challenging requirements for cost, packaging, fuel economy, emissions reduction and refinement. However, in the current market environment we intend to keep our investment costs in automotive main drive transmissions at a low level, whilst focussing on validating other more immediate opportunities.

## **Development activity**

A key part of our research and development focus is to expand our core technology expertise to satisfy the requirements of new applications of commercial merit.

TVADs represent a typical example of this work. We believe that, in this form, Torotrak's technology shows significant potential across a number of applications that are increasingly important as vehicle

manufacturers focus on downsizing engines to meet their commitments to CO<sub>2</sub> reduction. Many of these applications extend beyond the automotive market.

In order to quantify the commercial case for a family of variable drives to cover a power range that may encompass alternator drives rated at sub 5 kW through to supercharger drives at 40 kW or greater, we are conducting a joint development programme with a major international tier-one supplier.

A further part of our ongoing research and development focus is to develop improvements to our current technology to provide better application solutions. The development of the new STT transmission at Infinitrak, utilising a novel new transmission layout, is an example of how our collaborative programmes with partners and licensees can yield results and valuable new Intellectual Property.

## Results

### Revenues

Revenues in the first half of this year increased by 52% to £1,412k compared with the first six months of last year (£927k). Revenue at this stage relates mainly to initial payments from licence agreements and income from engineering services. We expect the full year to see strong and continued year-on-year revenue growth based on a high level of committed customer orders.

We benefitted from a particularly strong revenue contribution in the Commercial Vehicle market, emphasising the value of our licence and other agreements in this area. Development activity continued across our other markets, in particular our continued investment in technology for the OPE sector through the fast-track STT product development programme in preparation for a potential mid-season launch which would generate sales during the second half of our financial year.

### Segments

We have implemented in the half year financial statements a new financial reporting standard, 'IFRS 8', which provides additional information regarding business segments. Business segments are those areas of the business whose financial results are currently material and which form an important part of our planning and assessment of performance. These are:

- income generated from licence agreements
- engineering services
- development activities, including research and the creation of new intellectual property

In addition, whilst the results of our joint venture, Infinitrak, are currently immaterial and therefore do not justify reporting as a separate segment at the half year, they form an important part of our future growth plans. The investment in the joint venture is reported separately in note 5.

#### *Income generated from licence agreements*

Licence income of £747k was recognised in the first half (2008: £155k) following the transfer of elements of our technology to Allison according to the licence rights granted in March 2009. The technology transfer programme is an important feature of our agreement with Allison, enabling them to learn the fundamental elements of our technology and hence begin to exploit their licence rights, initially through their development programme. We expect considerable growth in licence revenues in the second half, noting in particular the £3.75m exclusivity fee due from Allison in March 2010, as well as further revenue recognised under the £2.75m licence rights granted in March 2009 as more elements of our technology are transferred.

#### *Engineering services*

Engineering services revenue of £662k (2008: £760k) was earned principally on key programmes with our two lead truck and bus customers. The programme with the ETBM is now moving from design

and procurement to prototype build. Our second major programme is with Allison where, unlike the European programme, we are not undertaking the prototype build activities but are providing critical engineering support services. The main centre of activity here is at Allison's US facility.

Our customer paid programmes are likely to increase in the second half, with additional work in relation to the TSB supported projects being undertaken with our partners, each of whom is a leading specialist contributing significant expertise to the development of new products aimed at satisfying areas of growing market demand.

#### *Development activities*

The focus of our half year research and development has been described above, with a 24% increase in costs to £2,338k (2008: £1,886k). This increase mainly related to the STT product development at Infinitrak.

#### *Infinitrak joint venture*

Key to Torotrak's future value is converting licence agreements and engineering development projects into tangible programmes to manufacture and sell products incorporating Torotrak technology, where Torotrak's agreements provide for a share in those future earnings.

In the short term, such income will derive from our 50% share of earnings from our joint venture, Infinitrak, established to design and manufacture transmissions in the Outdoor Power Equipment sector. Sale and manufacture of transmission units is seasonal with production and demand, currently primarily US based, falling into the second half of the year and hence revenues in the first half were marginal at £3k (2008: £12k). We expect revenues to build in the second half of the financial year, subject to a mid-season launch by Infinitrak's customer of a new product, using the new Single Toroidal Transmission aimed at premium consumer applications.

#### **Results after tax**

In the first half, the loss after tax increased by £226k to £2,081k (2008: £1,855k). This increase was as a result of the £ 452k of increased development costs, a reduction of £207k in investment income (reflecting the substantial decline in interest rates) and a small £34k increase in net costs elsewhere. These cost increases were offset by a £467k improvement in gross profit from our revenue generating segments (income from licence agreements and engineering services).

We expect to generate a strong level of operating profit in the second half with the expected substantial build of revenues. We reported in May that our objective was to achieve near break even in profit after tax for the full year and this remains our target.

#### **Cash**

Our cash position at 30 September 2009 was strong, with £12,304k of cash and cash equivalents (compared with £9,658k at 30 September 2008 and £14,975k at 31 March 2009). This provides us with the resources to pursue our business plan through to recurring positive operating cash flow.

The timing of licence payments continues to dominate our periodic reporting of operating cash flow. Operating cash out flow of £2,247k in the first half (2008: £1,930k) is expected to reverse and turn positive in the second half. This is due in particular to the £3.75m licence fee due from Allison in March 2010, together with continued payments under other customer agreements.

Cash continues to be managed conservatively and is invested with banks that carry a high degree of financial security. Cash funds are invested in UK sterling in financial institutions that carry a minimum long term rating of 'AA' and a minimum short term rating of 'A' as evaluated by Standard & Poor's, with equivalent ratings from other agencies also being monitored. We currently invest funds for periods of less than 6 months. Funds at 30 September 2009 were held with Barclays Bank plc, Clydesdale Bank plc and Svenska Handelsbanken AB, although in October we withdrew funds from Clydesdale Bank as a result of deterioration in its long term rating.

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With the substantial reduction in base rates, the level of interest being earned on deposits is very marginal, with average interest rates being earned currently of 0.9 %. This compares with 5.7% this time last year.

### **Risks and uncertainties**

There has been no material change to the key risks and uncertainties facing the Group as described in the Financial Review and Directors' Report sections of the 2009 Annual Report.

### **Outlook**

Torotrak is well positioned within uncertain world markets, with a strong level of committed customer orders and agreements. We are seeing a generally improving climate for our technology as the implications of future emissions legislation strengthen the business case for "environmentally friendly" technologies such as ours. We have also continued to make substantial progress with our major customers against our key development objectives and we believe that our prospects have improved as a result.

Torotrak remains well funded with substantial cash resources to allow us to pursue our business plan through to positive recurring operating cash flow. A growing list of visible applications and the endorsement of our technology by our high profile customers provide a strong platform for further development of our business in existing and new markets.

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## Independent review report to the members of Torotrak plc

### Introduction

We have been engaged by the company to review the condensed set of consolidated financial statements in the half-yearly financial report for the six months ended 30 September 2009, which comprises the consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in equity, consolidated statement of cash flows 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 consolidated 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 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of consolidated 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 consolidated 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 consolidated financial statements in the half-yearly financial report for the six months ended 30 September 2009 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  
Manchester  
24 November 2009

### Notes:

- (a) The maintenance and integrity of the Torotrak plc web site 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 financial 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

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## Consolidated income statement

For six months ended 30 September 2009

	Notes	Unaudited six months to 30/09/09 £000	Restated Unaudited six months to 30/09/08 £000
Revenue	5	1,412	927
Direct costs		(467)	(447)
Gross profit		945	480
Development costs		(2,338)	(1,886)
Administrative expenses		(898)	(860)
Operating loss		(2,291)	(2,266)
Finance income		99	306
Loss before taxation		(2,192)	(1,960)
Taxation credit	8	111	105
Loss for the period		(2,081)	(1,855)
Basic and diluted loss per share (pence)	6	(1.30)	(1.27)

The results above derive from continuing operations.

As a result of the adoption of IFRS 8 the 2008 comparatives have been restated to show gross profit. Development costs of £447k have been allocated to direct costs to arrive at gross profits. The impact on the loss for the prior period was £nil.

## Consolidated statement of comprehensive income

	Unaudited six months to 30/09/09 £000	Unaudited six months to 30/09/08 £000
Loss for the period	(2,081)	(1,855)
Currency translation differences	(29)	8
Comprehensive income for the period	(2,110)	(1,847)

The notes below form an integral part of this condensed consolidated half-yearly financial information.

## Consolidated balance sheet

As at 30 September 2009

	Notes	Unaudited as at 30/09/09 £000	Audited as at 31/03/09 £000	Unaudited as at 30/09/08 £000
<b>Non current assets</b>				
Intangible assets	7	1,363	1,220	1,179
Property, plant and equipment	7	1,003	929	1,013
<b>Total non current assets</b>		<b>2,366</b>	<b>2,149</b>	<b>2,192</b>
<b>Current assets</b>				
Inventories		228	54	34
Trade and other receivables	9	1,076	818	930
Current tax		183	330	214
Cash and cash equivalents	11	12,304	14,975	9,658
<b>Total current assets</b>		<b>13,791</b>	<b>16,177</b>	<b>10,836</b>
<b>Total assets</b>		<b>16,157</b>	<b>18,326</b>	<b>13,028</b>
<b>Current liabilities</b>				
Trade and other payables	10	(4,616)	(4,833)	(2,301)
<b>Total current liabilities</b>		<b>(4,616)</b>	<b>(4,833)</b>	<b>(2,301)</b>
<b>Net assets</b>		<b>11,541</b>	<b>13,493</b>	<b>10,727</b>
<b>Capital and reserves</b>				
Called up share capital		16,069	16,069	14,608
Share premium account		53,646	53,646	52,766
Other reserves		(31)	(31)	(31)
Retained earnings		(58,143)	(56,191)	(56,616)
<b>Total equity attributable to equity holders of the Parent</b>		<b>11,541</b>	<b>13,493</b>	<b>10,727</b>

The notes below form an integral part of this condensed consolidated half-yearly financial information.

## Consolidated statement of changes in equity

	Share capital	Share premium account	Other reserve	Accumulated loss	Total equity
	£000	£000	£000	£000	£000
At 1 April 2008	14,608	52,766	(202)	(54,829)	12,343
Loss for the period	-	-	-	(1,855)	(1,855)
Shares awarded at cost price	-	-	171	(171)	-
Share based payment charge	-	-	-	231	231
JV currency translation differences	-	-	-	8	8
At 30 September 2008	14,608	52,766	(31)	(56,616)	10,727
Profit for the period	-	-	-	67	67
Issue of shares	1,461	951	-	-	2,412
Expenses of share placing	-	(71)	-	-	(71)
Share based payment charge	-	-	-	230	230
JV currency translation differences	-	-	-	128	128
At 31 March 2009	16,069	53,646	(31)	(56,191)	13,493
Loss for the period	-	-	-	(2,081)	(2,081)
Share based payment charge	-	-	-	158	158
JV currency translation differences	-	-	-	(29)	(29)
At 30 September 2009	16,069	53,646	(31)	(58,143)	11,541

The notes below form an integral part of this condensed consolidated half-yearly financial information.

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## Consolidated statement of cash flows

For the six months ended 30 September 2009

	Notes	Unaudited six months to 30/09/09 £000	Unaudited six months to 30/09/08 £000
Loss for the period		(2,081)	(1,855)
<b>Adjustments for:</b>			
Depreciation	7	214	114
Amortisation	7	53	53
Finance income receivable		(99)	(306)
Loss on disposal of plant and equipment		1	-
Loss on disposal of intangible assets		15	60
Taxation	8	(111)	(105)
Increase in inventories		(174)	(2)
Increase in trade and other receivables		(260)	(299)
Decrease in trade and other payables		(221)	(226)
Costs of equity settled employee share schemes and bonuses		158	231
<b>Cash used in operations</b>		<b>(2,505)</b>	<b>(2,335)</b>
<b>Income tax received</b>		<b>258</b>	<b>405</b>
<b>Net cash used in operating activities</b>		<b>(2,247)</b>	<b>(1,930)</b>
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment		(325)	(25)
Acquisition of patents		(211)	(136)
Finance income received		100	192
<b>Net cash (used in)/generated from investing activities</b>		<b>(436)</b>	<b>31</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(2,683)</b>	<b>(1,899)</b>
Cash and cash equivalents at start of period		14,975	11,549
Exchange gain on currency translation		12	8
<b>Cash and cash equivalents at end of period</b>		<b>12,304</b>	<b>9,658</b>
<b>Cash and cash equivalents held in the JV not under direct control of the Group</b>		<b>402</b>	<b>52</b>

The notes below form an integral part of this condensed consolidated half-yearly financial information.

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## Notes to the half year financial information

### 1. General information

The Company is a public limited 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 under the trading symbol TRK. These condensed consolidated half year financial statements were approved for issue on 24 November 2009 and the information contained therein is unaudited.

These half year financial statements do not comprise statutory accounts within the meaning of Section 240 of the Companies Act 1985 or Chapter 7 of the Companies Act 2006. Statutory accounts for the year ended 31 March 2009 were approved by the Board of Directors on 27 May 2009 and have been 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

The condensed consolidated financial statements for the half year ended 30 September 2009 have 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 and should be read in conjunction with the annual financial statements for the year ended 31 March 2009, which was prepared in accordance with the relevant IFRSs applicable at the time as adopted by the European Union.

### 3. Accounting policies

The accounting policies adopted in these condensed consolidated half year financial statements are consistent with those of the annual financial statements for the year ended 31 March 2009, as described in those annual financial statements, with the exception of the implementation of IFRS 8 as described below.

#### IFRS 8 Operating segments

IFRS 8, 'Operating segments', is effective for periods commencing after 1 January 2009 and has been implemented for the first time in these consolidated half year financial statements. IFRS 8 replaces IAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'Management approach', under which segment information is presented on the same basis as that used for reporting to senior management.

ToroTrak's critical business segments reported to senior management, being the executive directors of ToroTrak plc, relate primarily to income streams as described in note 5 below. These income streams each carry appreciably different levels of: internal resources; impact upon long term value; and contribution. In addition, management reporting focuses in detail upon the application of resources, and project status, relating to research and development, which is therefore also considered to be a primary business segment albeit, not immediately income generating. Senior management also review income streams by principal market, being a key factor in its forward business planning and assessment of value creation. A secondary analysis of revenue by market is therefore also provided in note 5.

Information on business segments focuses primarily on contribution to remaining operating costs, with such operating costs being a shared resource in terms of the revenue generating income streams. Hence note 5 provides an analysis of the revenue generating segments on a contribution basis, with a separate reconciliation of operating costs between those relating to research and development and those that are a shared resource.

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Senior management reviews the balance sheet and investment in its joint venture, Infinitrak, separately from the remaining group net assets. However, the remaining group net assets are not reviewed further by business segment as this does not assist in senior management review, control or decision making. Investment decisions impacting the balance sheet, other than those impacting Infinitrak, are therefore not made on a business segment basis, but on the basis of combined return or impact to the group. Note 5 therefore discloses the balance sheet information reviewed by senior management as allocated between Infinitrak and the remaining group.

#### **IAS 1 (revised) Presentation of financial statements**

IAS 1 (revised), 'Presentation of financial statements', is effective for periods commencing on or after 1 January 2009 and has been implemented for the first time in these consolidated half year financial statements. The Group has elected to present two statements: a consolidated income statement and a consolidated statement of comprehensive income. The consolidated statement of comprehensive income replaces the consolidated statement of recognised income and expense. The adoption of the above standard has resulted in management including a statement of changes in equity as well as other minor changes to format and presentation.

#### **4. Critical accounting estimates and assumptions**

In applying the accounting policies, appropriate estimates have been made in many areas. The key areas of estimation uncertainty, where assumptions and estimates are significant in terms of impact upon the Financial Statements, are the same as those that are described in the annual financial statements for the year ended 31 March 2009.

## 5. Analysis by business segment

### 6 months to 30 September 2009

	Engineering services £000	Income from licence agreements £000	Development activities Note 1 £000	Other Note 2 £000	Total £000
<b>Revenue by market</b>					
Commercial vehicles	580	747	-	-	1,327
Outdoor power equipment	-	-	-	-	-
Off highway	35	-	-	-	35
Automotive	47	-	-	-	47
Other	-	-	-	3	3
<b>Total</b>	<b>662</b>	<b>747</b>	<b>-</b>	<b>3</b>	<b>1,412</b>
Direct costs	(458)	(7)	-	(2)	(467)
<b>Gross profit</b>	<b>204</b>	<b>740</b>	<b>-</b>	<b>1</b>	<b>945</b>
Other operating costs	-	-	(2,338)	-	(2,338)
Total segmental contribution/(loss)	204	740	(2,338)	1	(1,393)
Administration expenses not allocated to segments					(898)
<b>Operating loss as reported in Income Statement</b>					<b>(2,291)</b>

### 6 months to 30 September 2008

	Engineering services £000	Income from licence agreements £000	Development activities Note 1 £000	Other Note 2 £000	Total £000
<b>Revenue by market</b>					
Commercial vehicles	425	155	-	-	580
Outdoor power equipment	33	-	-	-	33
Off highway	103	-	-	-	103
Automotive	199	-	-	-	199
Other	-	-	-	12	12
<b>Total</b>	<b>760</b>	<b>155</b>	<b>-</b>	<b>12</b>	<b>927</b>
Direct costs	(438)	-	-	(9)	(447)
<b>Gross profit</b>	<b>322</b>	<b>155</b>	<b>-</b>	<b>3</b>	<b>480</b>
Other operating costs	-	-	(1,886)	-	(1,886)
Total segmental contribution/(loss)	322	155	(1,886)	3	(1,406)
Administration expenses not allocated to segments					(860)
<b>Operating loss as reported in Income Statement</b>					<b>(2,266)</b>

Note 1 Development activities include research and the creation of intellectual property.

Note 2. Other revenue and costs not allocated to business segments

## 5. Analysis by business segment (continued)

### Significant customers

The following revenues are attributable to significant customers

	Unaudited six months to 30/09/09 £000	Unaudited six months to 30/09/08 £000
European truck and bus manufacturer	326	379
Allison Transmission Inc	1,001	-

### Business segment balance sheets

Unaudited as at 30 September 2009	Torotrak excluding Joint Venture £000	Infinitrak Joint Venture £000	Group £000
<b>Non-current assets</b>			
Intangible assets	1,206	157	1,363
Property, plant and equipment	622	381	1,003
<b>Total non-current assets</b>	<b>1,828</b>	<b>538</b>	<b>2,366</b>
Current assets	13,383	408	13,791
<b>Total assets</b>	<b>15,211</b>	<b>946</b>	<b>16,157</b>
Current liabilities	(3,925)	(691)	(4,616)
<b>Net assets/ (liabilities)</b>	<b>11,286</b>	<b>255</b>	<b>11,541</b>
<b>Audited as at 31 March 2009</b>			
Total assets	17,413	913	18,326
Current liabilities	(4,206)	(627)	(4,833)
<b>Net assets</b>	<b>13,207</b>	<b>286</b>	<b>13,493</b>
<b>Unaudited as at 30 September 2008</b>			
Total assets	12,634	394	13,028
Current liabilities	(2,272)	(29)	(2,301)
<b>Net assets</b>	<b>10,362</b>	<b>365</b>	<b>10,727</b>

## 5. Analysis by business segment (continued)

Seasonality only impacts the Group's joint venture business segment, whose normal sales cycle, once product is introduced, would normally take place in the second half of the financial year in line with manufacture and sale for its primary US market.

## 6. Earnings per share

Basic loss per share is based on the loss after tax of £2,081,000 (2008: £1,855,000) and 160.6 million shares (2008: 145.6 million) being the weighted average number of shares in issue during the year.

	Unaudited six months to 30/09/09	Unaudited six months to 30/09/08
The basic and diluted earnings per share from continuing operations attributable to the equity holders of the Company (pence)	(1.30)	(1.27)

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 99,490 (2008: 490,023).

## 7. Fixed assets

	Intangible assets - patents £000	Property, plant and equipment £000	Total £000
<b>Net book value at 1 April 2008</b>	1,154	1,102	2,256
Expenditure/additions	138	25	163
Disposals	(60)	-	(60)
Amortisation /depreciation	(53)	(114)	(167)
<b>Net book value at 30 September 2008</b>	1,179	1,013	2,192
Expenditure/additions	199	27	226
Disposals	(107)	(13)	(120)
Amortisation /depreciation	(51)	(219)	(270)
Currency translation	-	121	121
<b>Net book value at 31 March 2009</b>	1,220	929	2,149
Expenditure/additions	211	325	536
Disposals	(15)	(1)	(16)
Currency translation	-	(36)	(36)
Amortisation /depreciation	(53)	(214)	(267)
<b>Net book value at 30 September 2009</b>	1,363	1,003	2,366

## 8. 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.

## 9. Trade and other receivables

	Unaudited as at 30/09/09 £000	Audited as at 31/03/09 £000	Unaudited as at 30/09/08 £000
Trade receivables	330	419	266
Other receivables and accrued income	365	153	309
Prepayments	381	246	355
<b>Total</b>	<b>1,076</b>	<b>818</b>	<b>930</b>

## 10. Trade and other payables

	Unaudited as at 30/09/09 £000	Audited as at 31/03/09 £000	Unaudited as at 30/09/08 £000
Trade and other payables	1,085	634	292
Social security and income tax	96	94	86
Accruals	477	645	334
Deferred income	2,958	3,460	1,589
<b>Total</b>	<b>4,616</b>	<b>4,833</b>	<b>2,301</b>

## 11. Cash and cash equivalents

	Unaudited as at 30/09/09 £000	Audited as at 31/03/09 £000	Unaudited as at 30/09/08 £000
Cash	(84)	547	(11)
Sterling short term cash deposits	11,986	14,257	9,617
Cash held in the Joint Venture	402	171	52
<b>Total</b>	<b>12,304</b>	<b>14,975</b>	<b>9,658</b>

## 12. Related party transactions

A loan of £610k was made to Infnittrak during the period (2008: £nil), 50% of which was eliminated on consolidation. There was an amount receivable from Infnittrak at 30 September 2009 of £56k, 50% of which was eliminated on consolidation.

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## Statement of Directors' responsibilities

The Directors confirm that, to the best of their knowledge, this condensed set of half year financial statements has been prepared in accordance with IAS 34, as adopted by the European Union, and that the half year management report herein includes a fair review of the information required by 4.2.7 and 4.2.8 of the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority, namely:

- an indication of the important events that have occurred during the first six months of the financial year ending 31 March 2010 and their impact on the condensed consolidated half year financial statements and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- disclosure of material related party transactions and changes therein.

The Directors of Torotrak plc are listed in the Torotrak plc Annual Report for the year ended 31 March 2009. There have been no changes since that date. A list of current Directors is maintained on the Torotrak plc website: [www.torotrak.com](http://www.torotrak.com).

By order of the Board

Dick Elsy – Chief Executive  
Jeremy Deering – Finance Director  
24 November 2009