

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

**Half-year results for the six months ended 30 September 2010**

ToroTrak plc, which develops and holds the patented rights to a transformational form of variable drive technology, proven in delivering fuel efficiency and CO<sub>2</sub> emission improvements for vehicles, announces its half-year results for the six months ended 30 September 2010.

**Financial highlights:**

- Revenue increased to £2.0m (2009: £1.4m)
- Development costs of £2.5m (2009: £2.3m) lead to a loss after tax of £1.8m (2009: £2.1m loss)
- Funding remains strong with £10.0m cash resources at 30 September 2010 (2009: £12.3m)

**Business highlights:**

- Substantial increase in investment by ToroTrak customers and licensees in prototype and production-intent programmes
- First prototype commercial vehicle transmissions installed in vehicles
- Increasing industry interest in flywheel energy storage systems creating significant opportunity for variable drive technology:
  - Flybus consortium, led by ToroTrak, announced as a winner of the Low Carbon Vehicle Partnership HGV Technology Challenge
- New technology for variable drive superchargers to reduce CO<sub>2</sub> emissions through engine downsizing progressing rapidly and now at initial prototype stage
- Heads of agreement reached on 22 November to restructure the InfiniTrak joint venture with MTD in order to better serve the partners' different strategic interests

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

"Our strong and continued progress in the main-drive transmission programmes with our two lead commercial vehicle customers has reinforced our confidence in proceeding towards production design and subsequent material value through future per unit royalties.

"We have also made rapid progress with our industry partners in the development of our new energy efficiency solutions, flywheel hybrids and variable drive superchargers, to service the growing demand for CO<sub>2</sub> reduction technologies across the whole automotive industry. Whilst in development phase, early results are encouraging and this, combined with the enormous legislative pressures faced by the vehicle manufacturers, gives us confidence that there is considerable value to be pursued in these high volume markets."

For further information please visit [www.torotrak.com](http://www.torotrak.com) or contact:

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## Summary of progress

### Financial

	Unaudited 6 months to 30.9.2010 £000	Unaudited 6 months to 30.9.2009 £000	Audited 12 months to 31.3.2010 £000
Revenue	2,003	1,412	7,644
Gross profit	1,548	945	7,099
(Loss)/ profit after tax	(1,803)	(2,081)	387
Cash outflow	(3,129)	(2,683)	(1,902)
Cash at period end	9,963	12,304	13,092

### Business strategy

As we reported in May, our strategy is to prioritise our most valuable routes to market and achieve demonstrable progress with our clients towards commercialisation. Outside of main-drive transmissions, we are focusing the majority of our resources on the material and growing opportunities we have identified in the CO<sub>2</sub> reduction fields of energy recovery and engine downsizing systems.

Prior to series commercialisation through our licensees' own manufacture and sale of products using Torotrak's technology, our revenues will consist mainly of engineering income from the customer programmes that we support, as well as from lump-sum licencing fees made by customers during the development and prototype stages. In the medium to long term, once commercialisation is achieved, our revenues will grow as recurring per unit royalties and other income flows are generated from sales of products incorporating our technology.

We expect to maintain a strong level of financial capacity to self-fund our path to recurring positive operating cash flow.

### Business progress

Our opportunities within the commercial vehicle market for main-drive transmissions are material and are supported by licensees with significant strategic and operational commitment. In this half year, we have made substantial steps forward on the programmes with Allison Transmission, Inc ("Allison") and our as yet undisclosed European Truck and Bus Manufacturer ("ETBM") where our first prototype transmission, following its installation in the client's vehicle, surpassed expectations in terms of driveability and performance.

In the fields of energy recovery and engine downsizing systems, where our activities are currently focused on flywheel energy storage systems and variable drive superchargers, we have made rapid progress along the route to demonstrable hardware. Our solutions are attracting considerable levels of industry interest in these valuable and growing markets for CO<sub>2</sub> reducing technologies and products.

## Financial results

### Revenues

Revenues increased by 42% to £2,003k compared with the first half of 2009 (£1,412k). This was driven mainly by high activity levels in our key commercial vehicle transmission programmes with Allison and ETBM. Consequently, engineering revenues increased by 90% from £662k to £1,259k. Engineering revenues also included further progress with our consortium partners in the Technology Strategy Board sponsored projects that are demonstrating the attractiveness of flywheel hybrid technology in passenger car and bus applications, where we are collaborating with parties such as: Allison Transmission, Jaguar Land Rover, Ricardo, Optare and Flybrid Systems.

Our overall licencing revenues were at similar levels to the first half of 2009 at £743k and were generated from the final stages of technology transfer to Allison.

#### **Operating costs and results after tax**

Loss after tax decreased by £278k to £1,803k (2009: £2,081k), with a 64% increase in gross profit from £945k to £1,548k being partly offset by high operating costs as we continue to support our major customer and technical development programmes.

Given the progress made with our licensees during the first half, we are confident that the second half should see an increase in licence activity and revenue. As reported in May, Allison has the right in March 2011 to extend its period of exclusivity (outside previously licensed customers), as well as to purchase options over licence rights in the heavy duty commercial vehicle market (represented by vehicles with a gross vehicle weight greater than 14,000 kilograms). Clearly, the financial outcome for the year will be very dependent upon whether Allison chooses to extend these rights. If it does not, then Torotrak will be able to pursue other licensing opportunities in the valuable market of commercial vehicle main-drive transmissions with other parties.

Torotrak's licensees are continuing to make substantial investments and commitments to achieve their programme milestones. This means that the total investment made in bringing Torotrak's technology to market has increased markedly beyond that reported by Torotrak in its financial statements. This wider activity level outside the Company reflects strongly Torotrak's progression. Going forward into 2011, we would expect Torotrak's proportion of total programme investment to continue to reduce as our customers' and licensees' activity levels increase. Torotrak also has the ability to reduce its own cost base as and when those external programmes have sufficient independence and momentum. This cost base may be reduced further through the pursuit of selected trade partnerships which would limit the future business development resource requirement within Torotrak.

#### **Cash**

We held £9,963k of cash and cash equivalents at the half year (compared with £12,304k at 30 September 2009 and £13,092k at 31 March 2010). Total cash outflow of £3,129k in the first half (2009: £2,683k outflow), has been impacted by an expected £1,339k increase in working capital as well as £400k to acquire an investment (15% shareholding) in Rotrex AS and related joint venture arrangements. As reported in May, these investments have opened up further opportunities related to engine downsizing by linking Torotrak's variable drive technology with Rotrex's supercharger technology.

Cash continues to be managed conservatively, being invested with banks that carry a high degree of financial security in accordance with the policies previously reported, and is currently deposited for periods of less than 6 months. The level of interest being earned continues to be modest with average interest rates in the first half of 0.8% (2009: 0.9%).

#### **Risks and uncertainties**

There has been no material change to the key risks facing the Group as described in the Financial Review and Directors' Report sections of the 2010 Annual Report.

## **Business review**

### **Commercial vehicles – main-drive transmissions**

#### **Torotrak positioning in the commercial vehicle market**

Torotrak technology provides compelling benefits in the commercial vehicle transmission market, enhanced considerably by increased legislation and growing demand for lower emissions. In this market, our technology can:

- Considerably improve fuel economy – a key cost driver in this market
- Reduce CO<sub>2</sub> emission levels, helping to meet proposed US legislative targets
- Compete effectively on cost
- Improve driveability
- Offer vehicle makers a single transmission technology to compete with both fully automatic and automated manual transmissions (AMTs)

Torotrak has to date earned £12.4m in initial licence payments from its two major customers in this market, who became licensees in December 2007 and March 2009. We are currently approaching the end of prototype programmes with each customer, with transmissions currently being tested on rigs and in vehicle. We expect our customers to commence production-intent engineering programmes in 2011.

#### **Allison Transmission, Inc**

Allison continues to commit substantial resources and priority to its new commercial vehicle transmission programme based on Torotrak technology. Torotrak supports this programme by providing skilled engineering resources whilst Allison retains full programme control and responsibility.

With technology transfer complete, and substantial time devoted at senior engineering levels by Allison, the customer now has substantial design and development capability in-house.

Our assessment is that Allison has both the determination and necessary capability to move quickly to a production-intent prototype design in 2011.

#### **European Truck & Bus Manufacturer (“ETBM”)**

We ended the six month period with achievement of the significant milestone of successful installation of the first transmission in vehicle. On the initial vehicle drive testing with the client's engineers, the performance and driveability of the first transmission generated considerable enthusiasm and positive feedback.

Torotrak is contracted to carry out the majority of the engineering and project management for the programme which involves the design, development, build and testing of prototype transmissions for a bus and a truck. Each transmission completes a rigorous function test before moving to the next stage, with four transmissions now fully assembled.

The first vehicle is now in the final stages of software strategy development and calibration. This involves optimising the transmission to combine smoothness of driving with the best possible efficiency to deliver performance and fuel economy. Full vehicle sign off by the client is a significant milestone and we are optimistic that this will be achieved shortly prior to the client taking delivery of the vehicle early in 2011.

Efficiency testing of the transmission has progressed well on Torotrak's special purpose test rigs, delivering efficiency figures fully in line with early predictions. Two transmissions have already been supplied to the customer for efficiency and durability testing, to complement Torotrak's testing. These tests are progressing with high priority on the client's facilities and are being supported by Torotrak engineers, with Torotrak hardware and software having been installed onto the client's test rigs to enable testing.

Following these positive initial results, the customer is now increasing its direct engagement with our technology so that its own engineers will be able to lead in-house development of the transmissions following our hand over, which we view as a very positive sign of commitment.

## **Off-highway – main-drive transmissions**

### **Torotrak positioning in the off-highway market**

Torotrak's technology offers many similar benefits in off-highway to those provided in the commercial vehicle market, with mounting pressures for improved fuel economy and increased productivity, although, in this sector, legislative pressure is lower and supply is more fragmented than on-highway vehicle markets.

Key features making Torotrak technology attractive in this market include:

- Improved fuel economy, and hence reduced operating costs
- Step improvement in controllability, and hence increased productivity
- Cost competitive across a wide range of vehicle applications
- Provides a new technology platform which is scalable

Torotrak has targeted tractors and fork lift trucks as key applications for its technology, and has two active licensees – Carraro (which has revealed its future range of transmissions to include Torotrak technology and is at the production design stage) and Iseki.

### **Agricultural tractors**

Despite the general downturn in the last two years in this sector, it is notable that throughout this period Carraro has maintained development effort as a strategic priority on its Vary-T range of IVT transmissions and transaxles that utilise Torotrak technology. In the past six months the pace of work has accelerated, with Carraro's revised approach including a number of initiatives to reduce the time needed to complete validation testing and launch the technology.

Our business development opportunities lie both with Tier-1 suppliers and tractor manufacturers, encompassing opportunities in both developed and emerging economy areas. These opportunities will be enhanced by the successful launch of Torotrak technology in this and our other markets.

### **Forklift trucks**

We have validated the benefits of our technology for forklift truck applications and are currently continuing with our targeted business development activities in this area.

## **Outdoor power equipment – main-drive transmissions**

### **Torotrak positioning in the outdoor power equipment (“OPE”) market**

Torotrak formed Infinitrak as a joint venture with MTD Holdings (“MTD”) in November 2005 to develop and commercialise transmissions for garden tractors and other outdoor power equipment. In this market, the technology competes mainly with incumbent hydrostatic drives. Torotrak technology provides the following benefits in this market:

- Better performance – particularly on gradients and when towing
- Better control, and hence easier to drive
- Elimination of performance degradation over a life cycle
- Capability for volume manufacture at competitive cost, albeit initially aimed at premium positioning

### **Infinitrak update**

In July 2010, we reported that the second Single Toroidal Transmission (“STT”) was substantially tested and complete, although field trials had revealed the need for further development and validation of the new traction epicyclic arrangement. In parallel to our commercial discussions with MTD, reported below, during the period Torotrak has made good progress in the UK with final

engineering of the traction epicyclic arrangement, addressing the remaining development issues which were highlighted from the mower field trials over the summer. The solution that has been developed is expected to materially increase durability and service life, and will also enable a range of higher performance transmissions to be developed off the back of the STT to target higher priced professional and semi-professional mowers.

During this period, Torotrak has been in discussion with our joint venture partner, MTD, as to our strategic objectives for the Joint Venture. Inifittrak's previous plan was to manufacture in volume in the US, where product development plans were inevitably orientated towards MTD's specific requirements. As reported in July 2010, Torotrak's objectives have been to target those areas of the outdoor power equipment market which can sustain premium positioning and could include relationships with manufacturers both inside and outside the US.

We have reached a (non binding) heads of agreement with MTD on 22 November 2010 that the Inifittrak Joint Venture will be replaced with a new licensing arrangement, whereby Torotrak will have exclusive rights in all areas outside MTD's production for its own use, where MTD will be granted a non-exclusive licence from Torotrak limited to the lawn and garden market below 25 kW. Torotrak will provide engineering support to MTD to finalise the development and design for the STT Transmission, which MTD remains committed to launch once production ready, subject to market conditions. We believe that this arrangement plays best to the respective strengths and strategic interests of MTD and Torotrak and means that Torotrak will not be responsible, going forward, for tooling or manufacturing investment. Final agreements are expected to be in place by the end of the calendar year.

## **Energy efficiency – energy recovery through mechanical flywheel hybrids**

### **Torotrak positioning in the energy efficiency market**

In this new and growing market, Torotrak's variable drive technology is used in combination with a high-speed flywheel to form a mechanical hybrid system. The Torotrak transmission is used to provide a stepless connection between the flywheel and the vehicle driveline, allowing transfer of kinetic energy under braking into the flywheel and the subsequent release of that stored energy back into the driveline, to accelerate or drive the vehicle. Flywheel-based mechanical hybrid systems can offer compelling benefits:

- Increased fuel efficiency and reduced CO<sub>2</sub> emissions
- Lower cost than alternative electrical hybrid configurations
- A cost effective means of enabling vehicle manufacturers to achieve legislated emissions targets
- A comparatively small size to install in a vehicle – especially when compared with the banks of batteries required in some electric hybrid vehicles
- Elimination of the need to replace expensive batteries or to provide for their end-of-life disposal in an environmentally acceptable fashion
- Depending on the application, it can be fitted at the time of production or “retro-fitted”

This technology is sometimes referred to as a form of “mechanical hybrid” or “flywheel hybrid”, which we are developing through three projects sponsored by the Technology Strategy Board, which is providing a level of grant funding to each of the consortium members, including Torotrak.

The consortia are focused not only on the development of the technology but also on the commercial exploitation of the flywheel hybrid technology. The commercial case for flywheel hybrids is strengthening as more work is completed by the consortium members. Our collective confidence is growing, endorsed by the increasing interest in a variety of applications and support across the industry. In terms of cost competitiveness, recent studies have shown that the technology is highly efficient for OEMs, with the cost to deliver a unit saving of emissions (expressed as the cost per gramme of CO<sub>2</sub> saving per kilometre travelled) being around a third of the cost of electric hybrid solutions. This has attracted considerable industry interest, with the technology solution receiving a favourable reception at trade shows and with growing levels of enquiry from potential technology suppliers. It is also encouraging that partners such as Ricardo are independently reporting a strong business case for flywheel hybrid technology.

Whilst still at a development stage, it is clear that Torotrak's commercial opportunities through licensing and per unit royalties, or other forms of commercial exploitation of our technology in this area, could be material. Whilst electrical hybrids have developed an almost niche position in worldwide markets, the ability to capture braking energy at a price that makes sense to vehicle manufacturers for mainstream application could lead to a significant addressable market, spanning both commercial vehicle and automotive markets.

#### **Buses and other commercial vehicles ("Flybus")**

In this project, which Torotrak is leading, we are seeking to demonstrate the benefits of flywheel hybrid solutions in a city bus. This is an ideal commercial vehicle with which to demonstrate the benefits of this mechanical hybrid system, given the high level of stop-start activity that these vehicles experience, which leads to substantial energy recovery opportunities. Flywheel hybrid systems incorporating our technology benefit from considerably lower costs and require significantly less space than conventional commercial vehicle electrical hybrid solutions. With parts fully procured, sub-assemblies will be built for initial testing next month. The Optare vehicle is with Torotrak for preparation.

The Flybus consortium has recently been announced as one of the winners of the Low Carbon Vehicle Partnership's HGV Technology Challenge, which identified technologies that can reduce the carbon footprint of heavy goods vehicles such as trucks and buses. The consortium will present their solutions for cutting-edge CO<sub>2</sub> emissions for heavy goods vehicles to a specialist group of executives from vehicle manufacturers and major fleet operators at a dedicated seminar later this year.

#### **Premium car (Flywheel Hybrid System For Premium Vehicles – "FHSPV")**

This programme, led by Jaguar, has progressed well with the initial prototype system now fully installed in the host vehicle, a Jaguar XF. The flywheel, developed by Flybrid Systems, has been successfully rig tested to full speed. Preliminary driving experience is encouraging and further testing and validation is ongoing. Considerable trade and media interest has been generated following the reveal of the Jaguar XF vehicle at the Cenex National Low Carbon Vehicle Event, LCV2010, in September.

#### **Mainstream cars and off highway vehicles ("KinerStor")**

This programme is intended to provide the platform to reduce the overall cost of flywheel hybrid systems to enable them to effectively compete in the mainstream car and other markets. As part of this consortium, Torotrak's work is focused on the development of low-cost control mechanisms for the flywheel variable drive. Several innovative design concepts for these commercially attractive mechanisms have now been developed and are due to be prototyped in the second half of this year.

### **Energy efficiency through engine downsizing – variable drive superchargers**

#### **Torotrak positioning in the engine downsizing market**

Torotrak's entry into this market is through our collaboration with the Danish company, Rotrex AS, and the Joint Venture business, Rotrak Ltd, that we have formed together, combining Torotrak's scalable and efficient variable drive technology with Rotrex's novel centrifugal supercharger technology which has already been proven in motorsport and the performance vehicle market. We believe that Rotrak has clear potential to be a key enabler of radical engine downsizing, a recognised industry strategy to achieve improved fuel economy and reduced levels of emissions.

Rotrak's combined technology will compete strongly with the developments of existing turbocharger and non-variable supercharger technologies, widely regarded as incumbent-technology enablers of engine downsizing. Against these competitor technologies, our variable drive technology offers benefits which include:

- Reduced cost compared to developments of current solutions, which are becoming increasingly complex and therefore more expensive

- Provision of high levels of pressure-charging (“boost”) at low engine speeds, thereby addressing a fundamental area of performance weakness with downsized engines,
- Improved driveability and responsiveness, replicating the feel of a larger engine in radically downsized engines

Our confidence in this technology is growing strongly. Extensive mathematical modelling and simulation activity has indicated that Rotrak units have the ability to be a strong contender when competing with the incumbent technologies in terms of affordability, performance and package size. Initial results have been published and have led to significant trade interest. Development progress is rapid with a first prototype unit built, ready for testing and planned for installation in a Rotrak prepared vehicle early in 2011.

Whilst still at a developmental stage, variable supercharging offers significant commercial potential through licensing and per unit royalties, or other forms of commercial collaboration, targeted predominantly at the high volume, mainstream automotive market.

Our strategy for commercialisation is twofold. Firstly, we wish to ensure that Rotrak has its own prototype hardware capable of being demonstrated and which, if necessary, could also be manufactured independently in support of initial, low volume applications. Secondly, with industry interest in Rotrak growing, we have decided at this stage to work on the next stages of evaluation and development with a major Tier-1 supplier to the automotive industry. This strategy provides, potentially, a fast-track route to market as well as a strong platform from which to achieve mass-commercialisation. This dual track strategy should ensure that Rotrak continues to have commercial options and will minimise the time required to engage with end customers, the engine and vehicle manufacturers, since moving rapidly to commercialisation and establishing market presence will be important when the technology is fully validated.

Our 15% interest in Rotrex AS, and accompanying seat on that board, is helpful in terms of building close working relationships with a powerful combination of interests and complementary skills. We are also very encouraged by the progress that Rotrex is making in its own right in terms of product and business development, which, so far, is ahead of the estimates we made when making our investment earlier this year.

## **Business Outlook**

We have a strong underlying core of engineering revenues and licensing opportunities with development costs increasingly being borne by our licensees and customers. Our short to medium term financial profile will be impacted materially by the timing of licence agreements and payments, but the resilient level of funding on our balance sheet underpins our progress.

This has been a very important six months in terms of moving Torotrak forward to a position of having real confidence in volume commercialisation as we enter 2011. We expect to be engaged, shortly, in production design programmes in commercial vehicle main-drive transmissions – the realisation of a fundamental objective for the Company. Achievement of this goal, together with the strong growth in interest in our new energy efficiency and CO<sub>2</sub> reduction technology areas and multiple opportunities in main-drive transmissions in our other markets, gives Torotrak a strong basis for medium to long term profitable growth.

## Independent review report to the members of Torotrak plc

### Introduction

We have been engaged by the Company to review the condensed consolidated financial statements in the half-yearly financial report for the six months ended 30 September 2010, 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 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 2010 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

23 November 2010

### Notes:

- (a) The maintenance and integrity of the Torotrak plc website is the responsibility of the directors; the work carried out by the auditor does not involve consideration of these matters and, accordingly, the auditor accepts no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- (b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

**Consolidated income statement**  
for six months ended 30 September 2010

	Notes	Unaudited six months to 30/09/10 £000	Unaudited six months to 30/09/09 £000
<b>Revenue</b>	5	2,003	1,412
Direct costs		(455)	(467)
Gross profit		1,548	945
Development costs		(2,527)	(2,338)
Administrative expenses		(906)	(898)
<b>Operating loss</b>		(1,885)	(2,291)
Finance income		47	99
<b>Loss before taxation</b>		(1,838)	(2,192)
Taxation credit	8	35	111
<b>Loss for the period</b>		(1,803)	(2,081)
<b>Basic and diluted loss per share (pence)</b>	6	(1.12)	(1.30)

The results above derive from continuing operations.

**Consolidated statement of comprehensive income**  
for six months ended 30 September 2010

	Unaudited six months to 30/09/10 £000	Unaudited six months to 30/09/09 £000
Loss for the period	(1,803)	(2,081)
<b>Other comprehensive income</b>		
Foreign currency translation differences	(23)	(29)
<b>Total comprehensive income for the period</b>	(1,826)	(2,110)

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

**Consolidated balance sheet**  
as at 30 September 2010

		Unaudited as at 30/09/10 £000	Audited as at 31/03/10 £000	Restated * Unaudited as at 30/09/09 £000	Unaudited as at 30/09/09 £000
<b>Assets</b>					
<b>Non-current assets</b>					
Property, plant and equipment	7	1,053	1,028	1,003	1,003
Intangible assets	7	1,362	1,350	1,363	1,363
Investments	9	253	-	-	-
Trade and other receivables	10	192	457	-	-
<b>Total non-current assets</b>		<b>2,860</b>	<b>2,835</b>	<b>2,366</b>	<b>2,366</b>
<b>Current assets</b>					
Inventories		330	384	228	228
Trade and other receivables	10	822	450	1,076	1,076
Current tax		40	262	183	183
Cash and cash equivalents	11	9,963	13,092	12,304	12,304
<b>Total current assets</b>		<b>11,155</b>	<b>14,188</b>	<b>13,791</b>	<b>13,791</b>
<b>Total assets</b>		<b>14,015</b>	<b>17,023</b>	<b>16,157</b>	<b>16,157</b>
<b>Liabilities</b>					
<b>Non-current liabilities</b>					
Joint Venture loans		(45)	(457)	-	-
<b>Current liabilities</b>					
Trade and other payables	12	(1,616)	(2,660)	(4,924)	(4,616)
<b>Total liabilities</b>		<b>(1,661)</b>	<b>(3,117)</b>	<b>(4,924)</b>	<b>(4,616)</b>
<b>Net assets</b>		<b>12,354</b>	<b>13,906</b>	<b>11,233</b>	<b>11,541</b>
<b>Capital and reserves</b>					
Called up share capital		16,173	16,173	16,069	16,069
Share premium		53,646	53,646	53,646	53,646
Other reserves		(31)	(31)	(31)	(31)
Retained earnings		(57,434)	(55,882)	(58,451)	(58,143)
<b>Total equity attributable to equity holders of the Parent</b>		<b>12,354</b>	<b>13,906</b>	<b>11,233</b>	<b>11,541</b>

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

\* See note 14 for an explanation of the prior year adjustment.

**Consolidated statement of changes in equity**  
for six months ended 30 September 2010

	Share capital £000	Share premium account £000	Other reserve £000	Accumulated loss £000	Total equity £000
<b>Balance at 1 April 2009</b>	16,069	53,646	(31)	(56,191)	13,493
Prior year adjustment - note 14	-	-	-	(308)	(308)
<b>Balance at 1 April 2009 (restated)</b>	16,069	53,646	(31)	(56,499)	13,185
<b>Comprehensive income</b>					
Loss for the period	-	-	-	(2,081)	(2,081)
<b>Other comprehensive income</b>					
JV currency translation differences	-	-	-	(29)	(29)
<b>Total comprehensive income</b>	-	-	-	(2,110)	(2,110)
<b>Transactions with owners</b>					
Share based payment charge	-	-	-	158	158
Total transactions with owners	-	-	-	158	158
<b>Balance at 30 September 2009 (restated)</b>	16,069	53,646	(31)	(58,451)	11,233
<b>Comprehensive income</b>					
Profit for the period	-	-	-	2,468	2,468
<b>Other comprehensive income</b>					
JV currency translation differences	-	-	-	48	48
<b>Total comprehensive income</b>	-	-	-	2,516	2,516
<b>Transactions with owners</b>					
Share based payment charge	-	-	-	157	157
Issue of shares from vesting of LTPSP	104	-	-	(104)	-
Total transactions with owners	104	-	-	53	157
<b>Balance at 31 March 2010</b>	16,173	53,646	(31)	(55,882)	13,906
<b>Comprehensive income</b>					
Loss for the period	-	-	-	(1,803)	(1,803)
<b>Other comprehensive income</b>					
JV currency translation differences	-	-	-	(23)	(23)
<b>Total comprehensive income</b>	-	-	-	(1,826)	(1,826)
<b>Transactions with owners</b>					
Share based payment charge	-	-	-	274	274
Total transactions with owners	-	-	-	274	274
<b>Balance at 30 September 2010</b>	16,173	53,646	(31)	(57,434)	12,354

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

**Consolidated statement of cash flows**  
for the six months ended 30 September 2010

	Notes	Unaudited six months to 30/09/10 £000	Unaudited six months to 30/09/09 £000
<b>Cashflows from operating activities</b>			
Loss for the period		(1,803)	(2,081)
<b>Adjustments for:</b>			
Depreciation	7	96	214
Amortisation	7	68	53
Finance income		(47)	(99)
(Profit)/loss on disposal of property, plant and equipment		(30)	1
Loss on disposal of intangible assets	7	37	15
Taxation	8	(35)	(111)
Costs of equity settled employee share schemes and bonuses		274	158
<b>Changes in working capital:</b>			
Decrease/(increase) in inventories		54	(174)
Decrease/(increase) in trade and other receivables		31	(260)
Decrease in trade and other payables		(1,424)	(221)
<b>Cash used in operations</b>		(2,779)	(2,505)
Research and development tax received		257	258
<b>Net cash used in operating activities</b>		(2,522)	(2,247)
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment		(148)	(325)
Acquisition of patents		(115)	(211)
Finance income received		56	100
Investments in Rotrex		(400)	-
<b>Net cash used in investing activities</b>		(607)	(436)
<b>Net decrease in cash and cash equivalents</b>		(3,129)	(2,683)
Cash and cash equivalents at start of period		13,092	14,975
Exchange gain on currency translation		-	12
<b>Cash and cash equivalents at end of period</b>	11	9,963	12,304
<b>Cash and cash equivalents held in the JVs not under direct control of the Group (included above)</b>	11	136	402

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

## 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 23 November 2010 and the information contained therein is unaudited.

These half-year financial statements do not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 March 2010 were approved by the Board of Directors on 25 May 2010 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 498 of the Companies Act 2006.

### 2. Basis of preparation

The condensed consolidated financial statements for the half-year ended 30 September 2010 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 2010, 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 2010, as described in those annual financial statements.

*(a) Standards, amendments and interpretations to existing standards effective in 2010 but not relevant to the Group*

- IFRS 3 (revised), 'Business combinations', and consequential amendments to IAS 27, 'Consolidated and separate financial statements', IAS 28, 'Investments in associates', and IAS 31, 'Interests in joint ventures', are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. This is not currently applicable to the Group, as it has not made any business combinations transactions.
- IFRIC 17, 'Distributions of non-cash assets to owners', effective for annual periods beginning on or after 1 July 2009. This is not currently applicable to the Group, as it has not made any non-cash distributions.
- IFRIC 18, 'Transfers of assets from customers', effective for transfer of assets received on or after 1 July 2009. This is not relevant to the Group, as it has not received any assets from customers.
- 'Additional exemptions for first-time adopters' (Amendment to IFRS 1) was issued in July 2009. The amendments are required to be applied for annual periods beginning on or after 1 January 2010. This is not relevant to the Group, as it is an existing IFRS preparer.

*(b) The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 April 2010 and have not been early adopted:*

- IFRS 9, 'Financial instruments', issued in December 2009. This addresses the classification and measurement of financial assets and is likely to affect the Group's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. The Group is yet to assess IFRS 9's full impact and decide when to adopt IFRS 9.
- Revised IAS 24, 'Related party disclosures', issued in November 2009. It supersedes IAS 24, 'Related party disclosures', issued in 2003. The revised IAS 24 is required to be applied from 1 January 2011. Earlier application, in whole or in part, is permitted.
- 'Classification of rights issues' (Amendment to IAS 32), issued in October 2009. The amendment should be applied for annual periods beginning on or after 1 February 2010. Earlier application is permitted.
- 'Prepayments of a minimum funding requirement' (Amendments to IFRIC 14), issued in November 2009. The amendments correct an unintended consequence of IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'.
- IFRIC 19, 'Extinguishing financial liabilities with equity instruments'. The interpretation is effective for annual periods beginning on or after 1 July 2010. Earlier application is permitted.
- Improvements to International Financial Reporting Standards 2010 were issued in May 2010. The effective dates vary standard by standard but most are effective from 1 January 2011.

### 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 2010.

## 5. Analysis by business segment

### Segmental operating analysis for the six months ended 30 September 2010

	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	1,157	743	-	-	1,900
Outdoor power equipment	-	-	-	-	-
Off highway	-	-	-	-	-
Automotive	102	-	-	-	102
Other	-	-	-	1	1
<b>Total</b>	<b>1,259</b>	<b>743</b>	<b>-</b>	<b>1</b>	<b>2,003</b>
Direct costs	(454)	-	-	(1)	(455)
<b>Gross profit</b>	<b>805</b>	<b>743</b>	<b>-</b>	<b>-</b>	<b>1,548</b>
Other operating costs	-	-	(2,527)	-	(2,527)
Total segmental contribution/(loss)	805	743	(2,527)	-	(979)
Administration expenses not allocated to segments					(906)
<b>Operating loss as reported in Income Statement</b>					<b>(1,885)</b>

### Segmental operating analysis for the six months ended 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>

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 30/09/10 £000	Unaudited six months to 30/09/09 £000
European Truck and Bus Manufacturer	613	326
Allison Transmission Inc	1,157	1,001

### Business segment balance sheets

	Torotrak Excluding Infinitrak Joint Venture £000	Infinitrak Joint Venture £000	Group £000
<b>Unaudited as at 30 September 2010</b>			
<b>Non-current assets</b>			
Intangible assets	1,291	71	1,362
Property, plant and equipment	650	403	1,053
Investment in associates	400		400
Trade and other receivable in Joint Venture	45		45
<b>Total non-current assets</b>	<b>2,386</b>	<b>474</b>	<b>2,860</b>
Net current assets/(liabilities)	9,515	(21)	9,494
<b>Net assets</b>	<b>11,901</b>	<b>453</b>	<b>12,354</b>
<b>Audited as at 31 March 2010</b>			
Total non-current assets	1,893	485	2,378
Net current assets	11,504	24	11,528
<b>Net assets</b>	<b>13,397</b>	<b>509</b>	<b>13,906</b>
<b>Restated unaudited as at 30 September 2009</b>			
Total non-current assets	1,828	538	2,366
Net current assets	9,150	(283)	8,867
<b>Net assets</b>	<b>10,978</b>	<b>255</b>	<b>11,233</b>
<b>Unaudited as at 30 September 2009</b>			
Total non-current assets	1,828	538	2,366
Net current assets/(liabilities)	9,458	(283)	9,175
<b>Net assets</b>	<b>11,286</b>	<b>255</b>	<b>11,541</b>

## 6. Earnings per share

Basic loss per share is based on the loss after tax of £1,803,000 (2009: £2,081,000) and 161.6 million shares (2009: 160.6 million) being the weighted average number of shares in issue during the year.

	Unaudited six months to 30/09/10	Unaudited six months to 30/09/09
The basic and diluted earnings per share from continuing operations attributable to the equity holders of the Company (pence)	(1.12)	(1.30)

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 (2009: 99,490).

## 7. Fixed assets

	Intangible assets - patents £000	Property, plant and equipment £000	Total £000
<b>Net book value at 1 April 2009</b>	1,220	929	2,149
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
Additions	198	197	395
Disposals	(134)	(11)	(145)
Currency translation	8	28	36
Amortisation/depreciation	(85)	(189)	(274)
<b>Net book value at 31 March 2010</b>	1,350	1,028	2,378
Additions	120	144	264
Disposals	(37)	(5)	(42)
Currency translation	(3)	(18)	(21)
Amortisation/depreciation	(68)	(96)	(164)
<b>Net book value at 30 September 2010</b>	1,362	1,053	2,415

## 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. Investment

On 12 May 2010 the Group completed its investment in Rotrex AS (Denmark) at a cost of £400k, comprising £253k for a 15% shareholding and the provision of a long term loan of £147k.

## 10. Trade and other receivables

	Unaudited as at 30/09/10 £000	Audited as at 31/03/10 £000	Unaudited as at 30/09/09 £000
<b>Non-current assets</b>			
Loans to Joint Ventures – note 13	45	457	-
Loan to Rotrex	147	-	-
<b>Total non-current assets</b>	<b>192</b>	<b>457</b>	<b>-</b>
<b>Current assets</b>			
Trade receivables	250	61	330
Other receivables and accrued income	206	187	365
Prepayments	366	202	381
<b>Total current assets</b>	<b>822</b>	<b>450</b>	<b>1,076</b>

## 11. Cash and cash equivalents

	Unaudited as at 30/09/10 £000	Audited as at 31/03/10 £000	Unaudited as at 30/09/09 £000
Cash	32	3	(84)
Sterling short term cash deposits	9,795	12,982	11,986
Cash held in the Joint Ventures	136	107	402
<b>Total</b>	<b>9,963</b>	<b>13,092</b>	<b>12,304</b>

## 12. Liabilities

	Unaudited as at 30/09/10 £000	Audited as at 31/03/10 £000	Restated Unaudited as at 30/09/09 £000
<b>Non-current liabilities</b>			
Loans to Joint Ventures - note 13	45	457	-
Total non-current liabilities	45	457	-
<b>Current liabilities</b>			
Trade and other payables	382	199	1,085
Social security and income tax	88	-	96
Accruals	658	755	785
Deferred income	488	1,706	2,958
Total current liabilities	1,616	2,660	4,924

## 13. Related party transactions

A loan of £1,050k was outstanding from Infnittrak at 30 September 2010 (31 March 2010: £914k - 50% of which was eliminated on consolidation). Due to the long term equity nature of the loan, 100% has now been eliminated on consolidation and a full provision made in the Company accounts. This has no impact on Group net assets. Additionally there was an amount receivable from Infnittrak at 30 September 2010 of £70k (2009: £56k), 50% of which was eliminated on consolidation.

There was a loan outstanding of £90k from Rotrak at 30 September 2010 (2009: £nil), 50% of which was eliminated on consolidation. The Group provided a long term loan to Rotrex of £147k (2009: £nil) as part of its investment.

## 14. Prior year adjustment

In order to provide improved information to users of the Financial Statements, and in consultation with our auditors, PricewaterhouseCoopers LLP, we changed our accounting policy in the year ended 31 March 2010 for bonus payments from a "paid basis" to an "accruals basis". This has only impacted the Balance Sheet with an increase in the retained loss by £308k as at 30 September 2009 and 31 March 2010, reducing total equity and net assets by the same amount. The full impact of the prior year adjustment is shown in note 25 of the Annual Report and Financial Statements 2010.

## Statement of Directors' responsibilities

The Directors confirm that, to the best of their knowledge, this condensed consolidated set of half-year financial statements has been prepared in accordance with IAS 34, as adopted by the European Union. The half-year management report 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 2011 and their impact on the condensed consolidated set of 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 in the first six months of the financial year and any material changes in the related party transactions described in the last Annual Report.

The Directors of Torotrak plc are listed in the Torotrak plc Annual Report for the year ended 31 March 2010. 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  
23 November 2010