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Torotrak PLC (LSE: TRK)
("Torotrak", "the Group" or "the Company")

Half-Year results for the six months ended 30 September 2011

Financial and Operational Highlights

	2011 £m	2010 £m
Revenue	0.8	2.0
Loss after taxation	(2.0)	(1.8)
Operating cash inflow/ (outflow)	0.7	(2.5)
Period end net cash	8.8	10.0

Financial highlights

- Positive operating cash flow of £0.7 million (2010: £2.5 million outflow)
- Cash balance of £8.8 million (31 March 2011: £8.3 million; 30 September 2010: £10.0 million)
- Revenue reduced by £1.2 million to £0.8 million (2010: £2.0 million) reflecting timing of licence fees
- Operating costs reduced by £0.8 million as a result of a re-focused operating structure, with higher levels of prototype engineering activity now undertaken by licensees rather than Torotrak

Operational highlights

- Commercial vehicle major programmes confirming strong fuel economy benefits and proceeding to plan
- Allison Transmission Inc's ("Allison") multi stage production intent programme proceeds to representative hardware stage having proved out required performance criteria based on concept hardware
- Installation of a Rotrak variable drive supercharger in a Tier 1 demonstrator vehicle for OEM customers, as well as in a Rotrak vehicle which is now undertaking rolling road testing
- Mechanical flywheel test results have confirmed expectations regarding: performance; cost effectiveness; and fuel savings
- Positive progress with international component suppliers, building supply chain manufacturing support for key licensees

John Weston, Torotrak's newly appointed Chairman said:

“Torotrak’s technology has matured at a critical time. Vehicle manufacturers must deliver ever more fuel-efficient vehicles, and Torotrak has developed a range of practical, cost effective and patented solutions to help achieve this. Legislative pressure means that maintaining the status quo in automotive technology is no longer an option. This is all resulting in increasing opportunities for Torotrak.

With Torotrak’s high quality customer base, strong cash balances and engaged industrial partners, I see exciting opportunities opening up for Torotrak and its shareholders”.

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1. Summary

1.1 Market opportunity

As legislative and environmental drivers continue to tighten, vehicle manufacturers need cost effective new technologies to reduce carbon emissions and improve fuel economy. Torotrak's patented variable drive systems provide a tested and proven mechanical engineering solution to address this need.

Through a single technology platform, different Torotrak applications can deliver substantial cumulative benefits in fuel economy across passenger and commercial vehicles. This is achieved through:

- More efficient engines, through variable drive supercharging
- More efficient use of fuel, through variable drive transmissions
- Recovery of wasted energy, through variable drive mechanical flywheels ("KERS")

1.2 Strategy

Torotrak licences its technology to manufacturers and suppliers that have committed technical and financial resources to industrialise the applications. We secure income from a combination of licence and engineering fees as our technology is developed towards production, with a royalty or share of earnings based on annual production volumes.

Our strategy is to:

- Achieve broad operating cash neutrality and hence funding self-sufficiency during the development period prior to production royalties or earnings share
- Prioritise the commercial vehicle markets, on road and off road, for initial commercialisation of main drive transmissions featuring our variable drive technology
- Focus development of new technology on new fuel saving markets including hybridisation and engine downsizing to provide pragmatic and affordable reductions in CO₂ emissions ahead of tightening legislation. These areas have a high capacity for growth and are attractive to vehicle manufacturers because investment costs are highly competitive when compared with alternative fuel reduction technologies such as electric hybridisation

1.3 Summary of progress

Our assessment of progress takes into account cash generation and maintaining sufficient cash funding reserves; evidence of growing support for the industrialisation of our technology; and key milestones towards achievement of commercialisation. In each of these respects, we report a positive position:

Cash generation and funding

Positive cash flow of £0.5 million was generated in the first half (2010: £3.1 million negative), with a closing cash balance of £8.8 million (31 March 2011: £8.3 million). We believe this provides us with a resilient level of funding to achieve the successful commercialisation of our technology.

Support for industrialisation

We have seen increasing commitment from vehicle manufacturer licensees, evidenced most notably by a step up in committed resources and investment. Significantly, as we look to develop the production supply chain for customers, we have also seen increased engagement with the suppliers of fluids and components that are core to our technology.

Milestones

The key milestones achieved in the first half of the year, providing good momentum in our critical programmes, are as follows:

Commercial vehicle transmissions:

- Achievement of required performance criteria on concept hardware with Allison and progression to next stages of production intent programme
- Confirmation in April of Allison's commitment to increasing the scope of licensing
- Continued extensive testing and evaluation with a leading European truck and bus manufacturer (ETBM)

Variable drive mechanical flywheels to recover braking energy:

- Volvo cars has committed to a development programme incorporating a Torotrak/ Flybrid system
- Prodrive test results confirmed a 22.4% increase in fuel efficiency from a Torotrak/ Flybrid system fitted into a Jaguar
- Successful integration of a Torotrak/ Ricardo plc system in an Optare bus, with a breakthrough announced by Ricardo in its flywheel technology

Variable drive supercharging

- Rotrak unit, which combines Torotrak's variable drive with a Rotrex supercharger, now undergoing in-vehicle testing
- Rotrak unit installed in an automotive Tier 1 manufacturer's vehicle in preparation for initial demonstrations to their target vehicle manufacturers

2. Results

2.1 Revenue

Revenue of £0.8 million (2010: £2.0 million) comprises income from engineering services, principally in relation to our commercial vehicle programmes, with no licence income being recognised in the first half (2010: £0.7 million). Whilst we received £3.5 million in licence payments in April 2011, from an accounting perspective half of this was recognised in the previous financial year (when it was committed) and £1.7 million will be deferred until 2013 (when Allison's licence rights in the over 14,000 kg gross vehicle weight market can be exercised and when ETBM's licence in this field reverts to a non-exclusive licence).

Engineering income decreased by £0.5 million due to lower prototype build activity and hence a lower value of material parts being billed. This is in line with our strategy to focus Torotrak's engineering time on the core areas required to commercialise our technology, and encourage our licensees and development partners to drive the main programme build activities.

2.2 Costs

We commenced the new financial year with our staff and resources better organised to support our own and our licensees' commercialisation objectives. Increased development activity by our licensees and partners means that we have been able to reduce operating costs for the half year by £0.8 million to £2.6 million (2010: £3.4 million), with committed board costs being reduced by approximately one third.

2.3 Loss after taxation

Losses after taxation of £2.0 million (2010: £1.8 million) principally reflect the absence of any income recognition from licence agreements in the first half of the year. Timing of licence payments, and associated accounting requirements for income recognition, materially impacts our periodic reporting.

2.4 Cash and cash flow

After £0.3 million was invested in new patent activities, IT and other infrastructure, operating cash flow was positive by £0.7 million (2010: £2.5 million negative) with closing cash balances of £8.8 million (March 2011: £8.3 million; September 2010: £10.0 million).

2.5 Risks and uncertainties

There has been no material change to the key risks facing the Group as described in the Review and Directors' Report sections in the 2011 Annual Report.

3. Market background and environmental legislation

3.1 Market positioning

Increasing fuel prices, and mounting legislative demands, continue to strengthen the case for manufacturers to adopt new fuel saving technology. The level of saving demanded and the timescale for achieving this is putting pressure on even the most conservative of organisations to consider new approaches.

Torotrak's response is to offer technology that manufacturers can engage with at greater or lesser levels of investment. Our latest technology developments offer a lower cost of entry into Torotrak technology through ancillary devices, that deliver fuel savings but which work alongside more conventional engine and transmission arrangements. Alternatively, as a main drive transmission, Torotrak's variable drive can transform the fuel economy and performance of a vehicle, requiring a more fundamental re-engineering programme of the nature that our commercial vehicle licensees are currently undertaking.

This approach is paying off and we are seeing a high level of interest from a range of major international component and vehicle manufacturers, with a growing list of engaged licensees and partners across both commercial and passenger vehicle markets.

The cost and benefit challenges are very clear:

- to maintain or improve vehicle functionality and performance
- whilst delivering increased fuel economy
- at a price which is competitive in terms of (1) alternative options and (2) factoring in the investment costs of a new technology.

Since all credible solutions require new investment and an element of change for manufacturers, this in effect reduces the "investment barrier" to adopting new technology and thus levels the playing field for competition between new and incumbent technologies. This presents substantial opportunities for Torotrak.

Manufacturers are looking at whole system performance and increasingly whole life costs. This is particularly evident in the commercial vehicle market where fuel is the predominant operating cost.

A number of solutions are available to vehicle manufacturers for improving fuel efficiency, ranging from aerodynamics; weight reduction; re-capture of energy losses such as braking energy; different fuels; engine downsizing through pressure charging; and fundamental engine/powertrain re-engineering.

Some solutions are possible only with government subsidies because they are inherently costly, for example diesel electric hybrid vehicles. Others require considerable development before they are likely to be economic, for example complete vehicle electrification. Solutions incorporating Torotrak's technology are favourably positioned in terms of cost and, whilst still seen as "new technology", the technology has already benefited from considerable investment and testing.

3.2 Introduction of environmental legislation in USA

Fuel economy legislation continues to be a key factor in the automotive industry's search for new technology. Formal legislation in USA and Europe is a key driver in forcing down CO₂ emissions for passenger cars, whereas in Europe in the commercial vehicle market there are currently only voluntary arrangements.

Since last reporting, the USA has introduced new environmental legislation for the commercial vehicle market. As predicted, this emphasises fundamental fuel economy as a priority, where previously noxious gas emission reduction has been the key driver.

In August, the new legislation was launched by the US Department of Transport ("DOT") and the Environmental Protection Agency ("EPA") requiring the commercial vehicle industry to reduce fuel consumption in vehicles by around 20%, starting in 2018 model year (vehicles built and sold in 2017). According to the DOT and the EPA, heavy-duty vehicles account for 12% of all US oil consumption and 20% of greenhouse gas emissions (in 2007). It is clear that this new legislation will have a material impact on energy security and reduction in air pollution and so we expect it to be implemented vigorously. The legislation has a broad reach, covering long haul trucks as well as distribution and vocational vehicles and buses.

We believe that this legislation adds a further incentive to the successful introduction of Torotrak technology within this key geographic market.

4. Commercial priorities and programmes

4.1 Commercial vehicle transmissions

Torotrak has three licensees in this area:

- Allison Transmissions Inc, the world's largest supplier of automatic transmissions for commercial vehicles
- ETBM, a leading European truck and bus manufacturer
- Tata Motors

We have undertaken substantial proof of concept prototype programmes with Allison and ETBM, as previously reported. Allison confirmed at the beginning of this financial year that its multi-stage programme had commenced, subject to a number of internal gateways, towards the production of transmissions for commercial vehicles. Having conducted extensive transfer of knowledge to Allison's engineers over the last financial year, Torotrak's role is now to provide specialist engineering support.

In the first half of the year, Allison's programme has concentrated on proving out key performance criteria based on concept prototype hardware. Acceptance has been achieved leading to the next stage of the multi stage programme which proceeds to representative hardware.

A key issue that we are addressing is development of the production supply chain for important variable drive components such as discs, rollers and fluids, which are critical to the industrialisation of our technology. We are currently engaged with a number of international component and fluid suppliers with a view to establishing defined, strategic relationships in support of our licensees. We will report on progress in this regard at the full year stage.

With ETBM, we have substantially completed our three year turnkey engineering programme and are now providing support to its vehicle and test rig evaluation programme. Test rigs are, in general, the most rigorous and objective way of evaluating a new prototype transmission and this has dominated the work over the last 6 months. The main focus has been fuel economy against the initial target application. Work is now underway to evaluate applicability against a wider range of vehicle types and duty cycles in order to determine the best fit for our technology to their product range.

We know from the work to date that Torotrak's technology is most effective at saving fuel in vehicles which are subject to a number of stop/start cycles, representing a substantial part of the commercial vehicle addressable market.

4.2 Variable drive flywheel hybrids

Torotrak is working with two flywheel technologies, developed independently by Ricardo and Flybrid Systems, to produce a cost effective alternative to a battery electric hybrid. Battery electric hybrids are relatively expensive, heavy and take up a large package space. They also require complex battery management systems to protect the vulnerable cells from premature deterioration. As a result, and despite considerable development, the current and near term predicted take up of electric hybrids in the passenger and commercial vehicle markets is comparatively low.

The alternative that we are working on with our consortium partners is a mechanical engineering device that recovers braking energy and releases it back into the driveline via Torotrak's variable drive. The advantages of this system are clear: it costs considerably less, takes up less space, weighs less and as a result is an affordable and pragmatic solution for vehicle manufacturers.

The system is also very power dense, which means that whilst it cannot store energy overnight (as the battery based systems do) it can deliver its full power repeatedly within the driving cycle where the performance is most needed to conserve fuel. This is in contrast to the battery based systems which cannot be discharged much below 70% of their full charge capacity. The flywheel system is capable of discharge from 100% to zero, delivering all of this power to the vehicle to help save fuel.

Passenger cars

Prodrive, the system integrator in our technology collaboration with the Flybrid flywheel system, confirmed in September that the Flybrid apparatus, fitted to a Jaguar vehicle, combined with a conventional stop start system, achieved fuel savings of 22.4% on the "real life" ARTEMIS test cycle. For many vehicle manufacturers, this result provides a compelling reason to consider the advantages listed above of the Torotrak/flywheel solution.

Also in September, the Volvo Car Corporation announced that it would be the first car company to test Torotrak's equipped flywheel energy recovery system on the roads ("KERS"). Volvo is adopting a new vehicle "platform" which will be used as the basis for their entire product range. The so-called Scalable Platform Architecture (SPA) has been configured to accommodate the fitment of a flywheel hybrid system featuring a Flybrid Systems LLP flywheel and Torotrak's variable drive technology.

Commercial vehicles

The flywheel energy recovery system is also very relevant to the commercial vehicle market, both on road and off road. Here, we are working with Ricardo, who

announced in August a breakthrough in its second generation flywheel, which uses a patented form of magnetic coupling. We have successfully installed a Torotrak equipped mechanical flywheel into an Optare bus, as part of the Flybus consortium project. Formal test results are due to be released later this financial year. This technology has generated a significant amount of interest and vehicle manufacturer engagement. All of the consortium partners see considerable potential value in this technology application and it is generating great interest from fleet operators.

4.3 Variable drive pressure charging

Manufacturers are predicting a significant increase in engine pressure charging as the push for greater fuel economy continues. Torotrak's variable drive offers an alternative to conventional turbo charging or supercharging by providing the ability to rapidly adjust boost, independent of engine speed. It has the potential to displace the more expensive two stage systems as it comprises a single unit, allowing cost effective engine downsizing without compromising vehicle performance. Our challenge is to introduce this new technology with appropriate industrialisation partners at a compelling price.

We have teamed up with supercharger specialists Rotrex to provide a combined variable drive supercharger through our joint venture "Rotrak". We also took a 15% equity stake in Rotrex last year. Since last reporting, we have successfully installed a Rotrak variable drive supercharger into a vehicle, which is now on test on our rolling road facility in Leyland. We have separately supplied a unit to a leading Tier 1 component manufacturer for installation into their target vehicle.

Through both our own demonstration vehicle, and that of our Tier 1 partner, we will be engaging with interested vehicle manufacturers in the second half of this financial year. Formal test results will be released once further work on engine calibration and cross validation with our Tier 1 partner has been completed.

4.4 Other

We have continued to work with our other licensees on their programmes, including Carraro, which has promoted its new agricultural transmission platform intended to be the most efficient variable drive in its class and which utilises Torotrak technology. TATA has continued to develop the "Pixel" small car concept further, which includes concept transmission Torotrak hardware that enables the vehicle to achieve a "zero turn"; there is no definition at this stage of a production version of the Pixel or of Torotrak's possible role within a production programme.

New developments continue to be made, and new intellectual property patented, in the programmes listed above. In particular, we have made important progress and are developing valuable intellectual property in the area of low cost drives.

Torotrak's intellectual property portfolio and knowledge base continue to be strengthened by invention and continuous technical advances. In particular, progress on auxiliary drives in the new energy saving sectors has led to specific new inventions, whilst know-how stemming from concept design activities and hardware development is being captured in Torotrak's extensive software design tools.

Torotrak's internal test and development activities have focused on two key areas: developing low cost technologies for our new markets (flywheel hybrids and variable supercharging), and testing and verifying components and fluids for the manufacturers that want to be considered as suppliers. The progress we have made with this verification process has boosted our licensees' confidence in the route to production.

5. Outlook

Torotrak is well funded and has multiple opportunities to achieve successful commercialisation. Our programmes have advanced well in the first half, generating increased confidence of successful outcomes, especially in the valuable commercial vehicle transmission market. We expect to report increased revenues in the second half with the recognition of licence and other fees, and to maintain a strong level of demand for further licensing and engineering services.

Consolidated income statement
for six months ended 30 September 2011

	Notes	Unaudited six months to 30/09/11 £000	Unaudited six months to 30/09/10 £000
Revenue	5	807	2,003
Direct costs		(240)	(455)
Gross profit		567	1,548
Development costs		(1,743)	(2,527)
Administrative expenses		(885)	(906)
Operating loss before exceptional item		(2,061)	(1,885)
Exceptional item	14	(53)	-
Operating loss after exceptional item		(2,114)	(1,885)
Finance income		39	47
Loss before taxation		(2,075)	(1,838)
Taxation credit	8	32	35
Loss for the period		(2,043)	(1,803)
Basic and diluted loss per share (pence)	6	(1.25)	(1.12)

In the six months to 30 September 2010, £224k is included within loss after taxation in relation to Torotrak's 50% share in the Infinitrak joint venture, which was discontinued in the second half of the year ended 31 March 2011 and replaced with a licensing arrangement (as reported in the 2011 Torotrak Annual Report).

Consolidated statement of comprehensive income
for six months ended 30 September 2011

	Unaudited six months to 30/09/11 £000	Unaudited six months to 30/09/10 £000
Loss for the period	(2,043)	(1,803)
Foreign currency translation differences	-	(23)
Total comprehensive expense for the period	(2,043)	(1,826)

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

Consolidated balance sheet
as at 30 September 2011

	Notes	Unaudited as at 30/09/11 £000	Audited as at 31/03/11 £000	Unaudited as at 30/09/10 £000
Assets				
Non-current assets				
Property, plant and equipment	7	733	700	1,053
Intangible assets	7	1,345	1,322	1,362
Investments	9	253	253	253
Trade and other receivables	10	195	192	192
Total non-current assets		2,526	2,467	2,860
Current assets				
Inventories		90	120	330
Trade and other receivables	10	972	2,265	822
Current tax		33	1	40
Cash and cash equivalents	11	8,771	8,271	9,963
Total current assets		9,866	10,657	11,155
Total assets		12,392	13,124	14,015
Liabilities				
Non-current liabilities				
Joint venture loan	12	(48)	(45)	(45)
Current liabilities				
Trade and other payables	12	(2,809)	(1,846)	(1,616)
Total liabilities		(2,857)	(1,891)	(1,661)
Net assets		9,535	11,233	12,354
Capital and reserves				
Called up share capital		16,432	16,254	16,173
Share premium		53,700	53,646	53,646
Other reserves		(58)	(79)	(31)
Retained earnings		(60,539)	(58,588)	(57,434)
Total equity attributable to equity holders of the Parent		9,535	11,233	12,354

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

Consolidated statement of changes in equity
for six months ended 30 September 2011

	Share capital	Share premium account	Other reserve	Accumulated loss	Total equity
	£000	£000	£000	£000	£000
Balance at 1 April 2010	16,173	53,646	(31)	(55,882)	13,906
Comprehensive income					
Loss for the period	-	-	-	(1,803)	(1,803)
Other comprehensive income					
JV currency translation differences	-	-	-	(23)	(23)
Total comprehensive income	-	-	-	(1,826)	(1,826)
Transactions with owners					
Share based payment charge	-	-	-	274	274
Total transactions with owners	-	-	-	274	274
Balance at 30 September 2010	16,173	53,646	(31)	(57,434)	12,354
Comprehensive income					
Loss for the period	-	-	-	(1,294)	(1,294)
Other comprehensive income					
JV currency translation differences	-	-	-	10	10
Total comprehensive income	-	-	-	(1,284)	(1,284)
Transactions with owners					
Closure of trust	-	-	12	(4)	8
Shares awarded at cost	-	-	19	(19)	-
Issue of shares under share incentive plan	79	-	(79)	-	-
Share based payment charge	-	-	-	155	155
Issue of shares from vesting of LTPSP	2	-	-	(2)	-
Total transactions with owners	81	-	(48)	130	163
Balance at 31 March 2011	16,254	53,646	(79)	(58,588)	11,233
Comprehensive income					
Loss for the period	-	-	-	(2,043)	(2,043)
Total comprehensive income	-	-	-	(2,043)	(2,043)
Transactions with owners					
Transfer of shares under share incentive plan	-	-	21	(6)	15
Issue of shares under share option schemes	54	54	-	-	108
Share based payment charge	-	-	-	222	222
Issue of shares from vesting of LTPSP	124	-	-	(124)	-
Total transactions with owners	178	54	21	92	345
Balance at 30 September 2011	16,432	53,700	(58)	(60,539)	9,535

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 2011

	Notes	Unaudited six months to 30/09/11 £000	Unaudited six months to 30/09/10 £000
Cashflows from operating activities			
Loss for the period		(2,043)	(1,803)
Adjustments for:			
Depreciation	7	133	96
Amortisation	7	64	68
Finance income		(39)	(47)
Profit on disposal of property, plant and equipment		-	(30)
Loss on disposal of intangible assets	7	-	37
Taxation	8	(32)	(35)
Costs of equity settled employee share schemes and bonuses		345	274
Changes in working capital:			
Decrease in inventories		30	54
Decrease in trade and other receivables		1,284	31
Increase/(decrease) in trade and other payables		1,005	(1,424)
Cash generated/ (used) in operations		747	(2,779)
Research and development tax received		-	257
Net cash generated/ (used) in operating activities		747	(2,522)
Cash flows from investing activities			
Acquisition of property, plant and equipment		(182)	(148)
Acquisition of patents		(110)	(115)
Finance income received		45	56
Investments in Rotrex		-	(400)
Net cash used in investing activities		(247)	(607)
Net increase/(decrease) in cash and cash equivalents		500	(3,129)
Cash and cash equivalents at start of period		8,271	13,092
Cash and cash equivalents at end of period	11	8,771	9,963
Cash and cash equivalents held in the JVs not under direct control of the Group (included above)	11	101	136

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 22 November 2011 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 2011 were approved by the Board of Directors on 25 May 2011 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 2011 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 2011, 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 2011, as described in those annual financial statements.

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 2011 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.

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 2011.

5. Analysis by business segment

Segmental operating analysis for the six months ended 30 September 2011

	Engineering services £000	Income from licence agreements £000	Development activities £000	Other Note 2 £000	Total £000
Revenue by market					
Commercial vehicles	768	-	-	-	768
Outdoor power equipment	-	-	-	-	-
Off highway	-	-	-	-	-
Automotive	22	-	-	-	22
Other	17	-	-	-	17
Total	807	-	-	-	807
Direct costs	(240)	-	-	-	(240)
Gross profit	567	-	-	-	567
Other operating costs	-	-	(1,743)	-	(1,743)
Total segmental contribution/(loss)	567	-	(1,743)	-	(1,176)
Administration expenses not allocated to segments					(885)
Operating loss as reported in Income Statement					(2,061)

Segmental operating analysis for the six months ended 30 September 2010

	Engineering services £000	Income from licence agreements £000	Development activities £000	Other Note 2 £000	Total Note 1 £000
Revenue by market					
Commercial vehicles	1,157	743	-	-	1,900
Outdoor power equipment	-	-	-	-	-
Off highway	-	-	-	-	-
Automotive	102	-	-	-	102
Other	-	-	-	1	1
Total	1,259	743	-	1	2,003
Direct costs	(454)	-	-	(1)	(455)
Gross profit	805	743	-	-	1,548
Other operating costs	-	-	(2,527)	-	(2,527)
Total segmental contribution/(loss)	805	743	(2,527)	-	(979)
Administration expenses not allocated to segments					(906)
Operating loss as reported in Income Statement					(1,885)

Note 1 £196k costs relating to the Infnittrak joint venture that was discontinued in the second half of the year ended 31 March 2011 are included within operating loss. Restated operating loss on a continuing basis excluding Infnittrak results is £1,689k and restated Development activities costs are £2,362k.

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 30/09/11 £000	Unaudited six months to 30/09/10 £000
European truck and bus manufacturer	243	613
Allison Transmission Inc	494	1,157

Business segment balance sheets

Unaudited as at 30 September 2011	Torotrak excluding joint venture £000	Rotrak joint venture £000	Group £000
Non-current assets			
Property, plant and equipment	733	-	733
Intangible assets	1,345	-	1,345
Trade, other receivables and investments	400	48	448
Total non-current assets	2,478	48	2,526
Net current assets/(liabilities)	6,956	53	7,009
Net assets	9,434	101	9,535

Unaudited as at 30 September 2010	Torotrak excluding joint venture £000	Infinitrak joint venture £000	Group £000
Total non-current assets	2,386	474	2,860
Net current assets/(liabilities)	9,515	(21)	9,494
Net assets	11,901	453	12,354

6. Earnings per share

Basic loss per share is based on the loss after tax of £2,043,000 (2010: £1,803,000) and 163.0 million shares (2010: 161.6 million) being the weighted average number of shares in issue during the period.

	Unaudited six months to 30/09/11	Unaudited six months to 30/09/10
The basic and diluted earnings per share from continuing operations attributable to the equity holders of the Company (pence)	(1.25)	(1.12)

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 Benefits Trust (formerly the Employee Share Trust) of 689,891(2010: 99,490).

7. Fixed assets

	Property, plant and equipment £000	Intangible assets – patents £000	Total £000
Net book value at 1 April 2010	1,028	1,350	2,378
Additions	144	120	264
Disposals	(5)	(37)	(42)
Currency translation	(18)	(3)	(21)
Amortisation/depreciation	(96)	(68)	(164)
Net book value at 30 September 2010	1,053	1,362	2,415
Additions	209	269	478
Disposals	(406)	(245)	(651)
Currency translation	3	-	3
Amortisation/depreciation	(159)	(64)	(223)
Net book value at 31 March 2011	700	1,322	2,022
Additions	166	87	253
Disposals	-	-	-
Currency translation	-	-	-
Amortisation/depreciation	(133)	(64)	(197)
Net book value at 30 September 2011	733	1,345	2,078

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. Investments

	Unaudited as at 30/09/11 £000	Audited as at 31/03/11 £000	Unaudited as at 30/09/10 £000
15% investment in Rotrex AS	253	253	253
Total investments	253	253	253

10. Trade and other receivables

	Unaudited as at 30/09/11 £000	Audited as at 31/03/11 £000	Unaudited as at 30/09/10 £000
Non-current assets			
Loan to joint venture (note 13)	48	45	45
Loan to Rotrex (note 13)	147	147	147
Total non-current assets	195	192	192
Current assets			
Trade receivables	400	71	250
Other receivables and accrued income	277	2,015	206
Prepayments	295	179	366
Total current assets	972	2,265	822

11. Cash and cash equivalents

	Unaudited as at 30/09/11 £000	Audited as at 31/03/11 £000	Unaudited as at 30/09/10 £000
Cash	13	-	32
Sterling short term cash deposits	8,608	8,113	9,795
Foreign currency and cash deposits	49	58	-
Cash held in the joint venture	101	100	136
Total	8,771	8,271	9,963

12. Trade and other payables

	Unaudited as at 30/09/11 £000	Audited as at 31/03/11 £000	Unaudited as at 30/09/10 £000
Non-current liabilities			
Share of loan to Rotrak Ltd	48	45	45
Total non-current liabilities	48	45	45
Current liabilities			
Trade and other payables	212	82	382
Social security and income tax	72	234	88
Accruals	553	748	658
Deferred income	1,785	187	488
Restructuring provision	187	595	-
Total current liabilities	2,809	1,846	1,616

13. Related party transactions

There was a loan outstanding of £96k to Rotrak Ltd at 30 September 2011 (2010: £90k), 50% of which was eliminated on consolidation. There was a long term loan outstanding to Rotrex AS of £147k (2010: £147k).

14. Exceptional item

The exceptional item relates to redundancy, severance and associated expenses incurred as part of a restructuring process.

15. Commitments

Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	Unaudited as at 30/09/11 £000	Audited as at 31/03/11 £000	Unaudited as at 30/09/10 £000
Property, plant and equipment	19	-	-
Total	19	-	-

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 2012 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 2011. John Grant retired as a Director on 31 May 2011. John Weston was appointed as a non-executive Chairman on 1 June 2011. A list of current Directors is maintained on the Torotrak plc website: www.torotrak.com.

By order of the Board

Dick Elsy – Chief Executive
Jeremy Deering – Finance Director