



Turbotec Products Plc
Annual Report and
Financial Statements
March 31, 2011

 **Turbotec**[®]
We're on the inside.



Turbotec's state-of-the-art facility in Hickory, North Carolina will house the future company headquarters and the latest manufacturing innovations in heat transfer technology.



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Chairman's Statement

In this my first Chairman's Statement, I am pleased, on behalf of the Board, to report that the year ended 31 March, 2011 was an improvement on the previous year.

The Group generated sales of \$24.8 million in the period, a 25% increase over the year ended 31 March, 2010. Profit before tax improved by 18% to \$1.4m and earnings per share increased by 20% to \$0.06 per share. No dividend payment will be considered by the Board until the results are known of the hearing due before the Cost Judge in London in August 2011, over the balance of the litigation costs award made to the Company in May 2010. The Group reported in last year's Annual Report the receipt of £350,000 as a post fiscal year event, with a further sum to be determined by the Court.

The Group's move to our new manufacturing facility in Hickory, North Carolina is continuing in a planned and organised manner with anticipated completion at the end of the calendar year. We will maintain a smaller presence in Connecticut to retain the services of some key employees who are not in a position to relocate to North Carolina at this time. The Board considers this a necessary step to protect our Intellectual Property and proprietary methodologies developed over the years.

Energy prices are presently at all-time highs and as a result our waste heat recovery technology is beginning to be trialed by major names in the hospitality and food and beverage industries on an international basis. Our technology allows existing refrigeration equipment to be used to generate hot water at no additional cost which provides customers with an important cost savings. As an added benefit, recent trials have shown a quantifiable improvement in performance and efficiency of the refrigeration equipment during the heat recovery process. We believe that this part of our product offering will see considerable growth in years to come.

As in most businesses a key ingredient of our success is the quality of our people. We are fortunate to have a loyal and dedicated workforce that we have added to in the past year. Your Board has placed great emphasis on recruiting additional engineering and management expertise to help continue our pursuit of excellence in our manufacturing processes. The opportunity to join Turbotec and work in Hickory, North Carolina has proven conducive to some exceptional people joining the team in the past year.

I have to report that Tony Mirabella, Non-Executive Director and Tom Nairn, Non-Executive Chairman both retired from the Board in September and December 2010, respectively. The Board wishes to thank Tony and Tom for the contribution that they made to the development of the Company during their tenure.

Joseph DeSena, a Managing Director of Collins Stewart LLC in New York, joined the Board in July 2010. Joe is a natural entrepreneur who has also been extremely successful on Wall Street and brings an added dimension to the Board.

Turbotec is pleased to announce the appointment of Seymour Pierce Limited as the Company's Nomad and broker with immediate effect.

In closing I would like to thank Sunil Raina, Managing Director, and his executive team for delivering a year to be proud of, considering the added challenge of moving the business to Hickory and bringing a new manufacturing facility on line at the same time.

The Board would also like to thank our many dedicated employees, without whose effort all our goals and aspirations would not be possible.

Robert Lowe

Non-executive Chairman

Chief Executive's Review

Strategic Review

Turbotec Products is a market leader in high efficiency tube in tube heat exchangers having supplied in excess of 2 million heat exchangers for space conditioning applications. These heat exchangers are currently used in the highest efficiency heating and cooling devices, such as water source and geothermal heat pumps. Turbotec also provides titanium twisted tube in plastic shell based heat exchangers for the swimming pool heat pump market. Our heat exchangers are also used in marine air conditioning, ice machines and heat re-claimers. Enhanced surface tubing is used in a variety of heat transfer applications serving many markets, currently at low volumes.

Twisting metal tubes to create a highly enhanced surface is at the heart of our heat exchangers. While the technology dates back to the 1960's, the Group continues to improve the characteristics of the twisted tube geometry to continuously expand the heat transfer capability of the products. The twisting process is environmentally friendly as no cutting fluids are used and no material waste is generated when compared to other surface enhancing technologies e.g. "fin tube" technology.

Markets

While US factory unit shipments of air-conditioning and heating products saw a slight improvement over the previous year, as reported by Air Conditioning, Heating and Refrigeration Institute (AHRI), and despite the depressed housing market and the continuing recession, the Group has seen an 18% increase in unit volume of its heat exchangers compared to the previous year; which along with the increased metal surcharge pass through helped the Group increase revenue to \$24.8million, a 25% increase over the previous year. The Group uses its in-house sales force to sell directly to original equipment manufacturers both domestically as well as internationally.

Significant financial incentives in the form of a 30% US federal tax credit along with state tax credits are available for residential installations of geothermal heat pump systems. This, along with incentives from electric utilities, which see geothermal technology as an aid in load balancing continues to present a bright future for the application of this technology in reshaping our energy future. US factory shipments of water source and geothermal heat pumps have stabilized with a modest decline of 5% over the past year after being flat for the previous year while still down about 17% after peaking in CY2008.

Titanium is the preferred metal for heat exchangers used in swimming pool heat pumps. With our patent pending combination of titanium twisted tubes and coiled plastic shells, Turbotec continues to hold a strong position. Florida, traditionally the largest market for swimming pool heat pumps continues to see reduced demand with the housing industry in the doldrums.

The Group supplies vented double wall heat exchangers that are used for making potable hot water from waste heat and that are integral to water source heat pumps manufactured by many of our customers. The Group also supplies packages integrating these heat exchangers with pumps and controls which are then field installed on existing air conditioning and refrigeration systems. Whilst this area of the market has been slow to develop; we remain optimistic of the potential with the high cost and availability of energy sources.

We continue to maintain long term relationships with our key OEM partners as we work to grow our market share with our product offerings despite competitive pressures from domestic and foreign suppliers, especially from China. Turbotec's visibility in the HVAC market place has positioned our company in the forefront for continued business growth. As consumer confidence improves and the credit markets open up, we expect the significant incentives for installing geothermal heat pumps to impact positively on our business.

Commodities

The Group uses both ferrous and non ferrous metals in the manufacture of its products and as such is impacted by the vagaries of the commodity markets. July 2008 saw copper prices at around \$4/lb before declining to a low of \$1.25/lb in December 2008. Since then copper prices have steadily risen peaking at around \$4.60/lb in January 2011. Similarly, nickel prices that had peaked in May 2007 at around \$24.50/lb declined to \$4/lb by November 2008. Since then the prices have increased and now hover in the \$9-\$13 range. To minimize cost fluctuations, a limited amount of fixed price advance purchasing is done by the Group working with its primary non-ferrous mill.

The Group has pricing arrangements with its customers whereby a rolling average copper and nickel price is used to calculate raw material price adjustments which are then passed through to customers. While the customers have accepted the metal price increases, expectations have now shifted to the need for reduction in base prices thereby limiting the total increase, which coupled with increasing business costs has negatively impacted the Group's gross margins and profitability.

Business Transformation Strategy – Relocation to Hickory, North Carolina

The Group's business operations have been located in Windsor, Connecticut since 1981, most recently in two properties leased from Thermodynetics, Inc under leases which expired on 31 March 2011. The main building is now 30 years old and does not provide a good layout for manufacturing cells, preventing the Group from maximizing the benefit of applying lean manufacturing principles. While relocating to a different building in Connecticut more suited to our manufacturing needs would be a potential short term solution, the negative economic fundamentals for manufacturing companies continue to worsen in this region. The Group is not an employer of choice as it cannot compete against the more highly compensating "military industrial" dominated manufacturing sector. Additionally, the Group has had difficulty recruiting and relocating engineers and senior managers from other lower cost geographical areas.

During this year work began at the new Hickory manufacturing site to prepare the facility and by December 2010, all manufacturing operations had been relocated from the Hickory rental building to the new facility. The Group is making substantial investments in modernizing the equipment to be installed in this facility. While some machinery will be designed and built by outside vendors, a substantial portion is being designed and constructed in house. Current plans call for the Group to have dual manufacturing capability by December 2011.

Due to the critical nature of the application for our products and its impact on system efficiency, major customers are requiring that the products to be manufactured on the new machines at this new facility go through an intensive testing and qualification program which will take several months. This will require the continued use of the Windsor operation through the end of 2011. Effective April 2011, the operating company signed a short term lease for the main Windsor, Connecticut building at a lower rental rate while vacating the second building. To prevent the loss of intellectual property and to continue the availability of the proprietary experience developed over the years, the Group will be keeping a small operation in Connecticut as some key long term employees will not be in a position to relocate to North Carolina in the near future.

People

Any business is only as good as its people and through customer surveys, we continue to be highly rated for our service levels to customers. The Group implemented a retention/ relocation bonus program to prevent significant loss of staff and production workers due to the uncertainty created by the announcement about the purchase of the building in Hickory. I am pleased to state that the Group was able to greatly limit the turnover of long term employees. It is a tribute to our people and their hard work that has produced commendable financial results for this fiscal year.

Legal Dispute in UK Courts

As announced in May 2010, the Company had a favorable ruling in the London High Court in the legal action taken by its then majority shareholder, Thermodynamics, Inc. While the order for the recovery of legal costs has vindicated the Company, the intangible cost to the Company may never be recovered. The interim cost award of £350,000 was received in May 2010 with the balance to be determined by a costs judge review, scheduled for August 2011.

Whilst in the previous three years, an inordinate amount of time and effort was expended in defending the Company that prevented the Board from devoting its full attention towards further developing the Group; we are now focused in further expanding the business.

Future

Turbotec plans to service our markets with quality products and strong relationships with our customers and suppliers. We will continue to be on the lookout for synergistic opportunities and planned expansion to meet our needs for the market as well as provide profits to our shareholders.

In closing I would like to thank our customers for their continued confidence in our ability to service their needs, our suppliers for supporting us during a time of fluctuating commodity costs and demand shifts, and our employees for their continued dedication and commitment to help us achieve our goals.

I would also like to thank Tom Nairn (former Non-Executive Chairman) and Tony Mirabella (former Non-Executive director) who along with Rob Lowe (current Non-Executive Chairman) have helped guide the Group since its infancy on the AIM market. Joe DeSena, our newest Board member, brings his entrepreneurial skills and access to capital markets which enhances the resources available to the Group as it moves to the next chapter in its development. With 2011 behind us we are confident that Turbotec is poised for long term growth and to be an integral part of energy efficient heating and cooling products which provide mankind with comfortable living and working conditions while continuing to reduce per capita energy usage.

Sunil Raina
Managing Director

Financial Review

Background

Turbotec Products Plc was incorporated in the UK on 14 October 2005 and re-registered as a public Company on 11 April 2006 and is the parent Company of a wholly owned subsidiary, Turbotec Products, Inc., a US based manufacturer of heat exchangers and heat transfer products and systems. Pursuant to the Company's Placing and Admission to AIM approximately 43.68% of the Company's shares were sold or issued to institutional investors; the balance of the Company's shares were owned by Thermodynamics, Inc., a US based Company that formerly was its sole shareholder.

Pursuant to the placing documents, all shares were sold to non United States investors. In addition, a Relationship Agreement was executed with Thermodynamics that contains further provisions regarding the independence of management between the companies, an annual administration fee payable against services to be agreed, restrictions on related party transactions, restrictions on appointments to the Plc's board and mutual confidentiality and reporting undertakings. In 2011 Thermodynamics sold 4,499,900 shares, reducing its holdings to 2,712,407 shares. Additional information concerning transactions between the companies is contained in notes 22 and 24 to the consolidated financial statements.

Significant Events in Fiscal Year Ended 31 March 2011

In April 2010, the Group completed the purchase of an approximately 100,000 square foot facility and an adjacent 5.46 acre parcel of undeveloped land in Hickory, North Carolina. The Group is in the process of refurbishing the facility and relocating the bulk of its operations to this facility. This relocation is anticipated to be completed in late fiscal year 2012. The purchase was financed with a mortgage from the Group's existing bank and cash reserves. See note 11 to the consolidated financial statements.

On 10 May 2010 the Company was notified that it was successful in its defence of the claim brought by Thermodynamics, Inc. in relation to the payment of administration fees under the Relationship Agreement entered into at the time of its admission to AIM. The Company was awarded substantial costs, including an order of payment on account of 350,000 pounds sterling by Thermodynamics, Inc. with an additional amount to be paid as determined by the court. The initial payment was received by the Company in May 2010 and included in administrative costs in the fiscal year 2011 accounts.

Thermodynamics has contested the remaining balance of the award and a formal hearing before the court has been scheduled for August 2011. As the ultimate amount to be received by the Company cannot be determined until after the hearing, no additional provision for the cost recovery has been reflected in the accounts. See note 24 to the consolidated financial statements.

All financial results are presented in US dollars, the functional currency of the Group and of the parent Company.

Statement of Comprehensive Income

Revenues for the year ended 31 March 2011 increased from \$19,823,000 in 2010 to \$24,839,000. A portion of the increase is due to higher unit sales in the Group's core markets during the year as US government sponsored incentive programs subsidizing energy efficient products were received favourably by the residential and real estate development markets. In addition the cost of metal tubing (primarily copper and copper alloys) increased significantly during the course of the year. As this cost is generally passed through to customers in the form of price adjustments, net sales reflect the added revenue charged to customers. Accordingly, the overall increase in sales was due to a combination of both factors.

Gross profit dropped by approximately 4% from the prior year to 20% in 2011, despite the large increase in sales volume. As indicated above, the cost of certain metal tubing increased significantly during the course of the year. Although the Group is generally able to pass through these higher costs to its customers, this creates a negative impact on gross margin. In addition, the Group has begun the relocation of its manufacturing operations to a new facility in North

Carolina and accordingly has incurred certain one-off and some cost duplication which will continue during the transition phase.

Administrative expenses from operations increased significantly during the year as the Group instituted a relocation / retention bonus plan for its Connecticut employees and incurred a significant amount of other non-capitalized expenses relating to the development of the new Hickory facility, aggregating approximately \$964,000 in 2011 (2010: \$250,000). Offsetting these additional costs was the initial cash payment of 350,000 pounds sterling (\$501,000) received from Thermodynamics related to the cost award pursuant to the litigation decision rendered by the UK court system. The proceeds from the cost award, net of current year related litigation fees was \$208,000 compared to prior year litigation costs of \$780,000. The effective income tax rate was 41% in 2011 and 38% in 2010. The increase in the rate was primarily due to over accruals in the prior year and timing differences between book and tax income.

Statement of Financial Position

Non current assets increased by approximately \$6,170,000 over 2010 primarily due to investments in a new facility and production machinery and equipment related to the relocation of operations to the new Hickory, North Carolina facility. Net current assets aggregated \$3,160,000 at 31 March 2011 (after adjusting for the mortgage facilities of \$2,134,000 which were reclassified as non-current liabilities in June 2011) compared to \$5,522,000 at 31 March, 2010. Accounts receivable increased by \$430,000 from the prior year end due to the increase in shipments during the year. Inventories increased by \$615,000 over 2010 due to higher commodity cost factors for copper and nickel and an increase in finished goods inventories to accommodate the start of the movement of production equipment from Connecticut to North Carolina. Current liabilities increased from \$1,231,000 at 31 March 2010 to \$5,313,000 at 31 March 2011. Included in this increase is the classification of the entire balance of the mortgage on the new Hickory facility as a current liability. Subsequent to year end the company obtained a covenant waiver from its bank and the mortgage remains repayable over its original term. The balance of the increase in current liabilities resulted from increased inventory levels, purchases of equipment and related components and the recognition of the liability for employee retention and relocation programs.

Non current liabilities increased by \$701,000 over 2010 primarily from new bank loans to assist with the funding of the new North Carolina facility and related production equipment. The increase in net equity of \$973,000 from 2010 to 2011 was a result of the Group's net income plus share based compensation expense recorded during the year.

Foreign Currency Risk

As the Group operates principally in the United States and transacts essentially all business in US dollars, there is minimal exposure to foreign currency risk.

Treasury Policy and Interest Rate Risk

All cash surpluses are invested in short term securities under the management of the Group's bank. Borrowings consist of an overdraft facility secured by certain of the Group's assets with interest charges at a floating rate equal to the bank's prime lending rate. As of 31 March, 2011 approximately \$390,000 was outstanding against this facility, with \$2,860,000 available to the Group. Hire purchase borrowings for equipment are used to finance machinery and equipment purchases and also bear interest at the bank's prime rate. These borrowings aggregated \$1,067,000 at 31 March 2011 (2010: \$167,000). The Group has a separate line of credit from the bank available for use in purchasing fixed assets, of which approximately \$555,000 remains available at 31 March 2011.

In April 2010 the Group obtained a mortgage in the amount of \$2,215,000 in conjunction with the purchase of a facility and undeveloped land in Hickory, North Carolina. The mortgage bears interest at a fixed rate of approximately 5.25% through April 2013 with a floating rate equal to the bank's prime lending rate thereafter.

Financial Reporting

The consolidated accounts have been prepared in accordance with International Financial Reporting Standards. Specific accounting policies employed by the Group are more fully described

in the notes to the financial statements. The parent Company accounts have been prepared in accordance with UK GAAP.

Research and Development Activities

The Group devotes a substantial amount of its resources to research and development activities. A highly experienced engineering staff continually evaluates current methodologies to determine suitability with existing and projected product offerings. New applications of applicable technologies are identified, and refined in house, with the aid of sophisticated equipment in a modern laboratory facility. This is a key component in the development of new products and application extensions in existing markets. The Group has constructed a large portion of the test and prototyping equipment used in the development of these new products and materials

During the current year the Group was engaged in a number of research and development projects. International regulatory agencies have mandated moving toward alternative refrigerants over the coming years, which will require modifications to production techniques for certain products currently produced by the Company. In addition these new refrigerants require a more restrictive environment from particulate and other contaminants; modifications to the Company's processing and material handling are being incorporated into its new manufacturing facility.

Non-Financial Key Performance Indicators

Management uses various non-financial key performance indicators to evaluate and monitor its performance and/or benchmark against competitors or identified companies in other industries. These indicators are continually reviewed and the results shared with employees as part of a continuous improvement program to increase efficiencies and improve performance.

Turbotec Products, Inc. is ISO 9001:2008 registered entity and as part of the ongoing certification process is required to maintain a quality standards manual that includes the identification, measurement criteria, and reported results of key non-financial performance indicators. The following areas are currently measured as part of this process:

On-time delivery to customers– the Group has set a minimum standard of 90% for this measure. During the most recent quarterly measuring period the Group was within the established criteria.

Customer Returns- the Group has set a standard of less than 2700 parts per million (PPM) for customer returns. During the most recent period, customer returns averaged below the established standard.

Internal Scrap- the Group has set a standard that internal scrap shall not exceed 2% of net sales. During the most recent quarter, internal scrap averaged below the established standard.

Customer complaints- the current standard is 2700 PPM. During the most recent period, customer complaints averaged below the established standard.

Formal measurement periods and auditing procedures have been established consistent with the Group's financial reporting year. Results for the entire year for each of the above measures were consistent with the results reported for the most recent quarterly period.

Directors' Report

The directors present their annual report together with the audited financial statements for the financial year ended 31 March, 2011.

PRINCIPAL ACTIVITIES

The principal activity of the Company is that of a holding Company. The Group has one principal activity and operating segment- the manufacture of high performance, high quality heat exchangers and fabricated metal components serving the heat transfer industry. The Group markets its products principally in North America to customers in the space conditioning, refrigeration, appliance, water heating, and other industries. All manufacturing and related activities are conducted in the United States.

BUSINESS REVIEW

The information that is required for the Business Review, including a review of the performance of the Group during the financial year, its financial position and future developments, is given in the Chairman's Statement, the Chief Executive's Review and the Financial Review. Accordingly, the information is included in the Directors' Report by cross-reference.

PRINCIPAL BUSINESS RISKS AND UNCERTAINTIES

The Directors consider the following risks and other factors to be the most significant for the Company. If any of the following risks actually occurs, the Group's business, financial condition, capital resources, results or future operations could be materially adversely affected.

Dependence on suppliers

In the event that mining operations or fabrication mills or other major suppliers have labour or other serious disruptions, the Group may not be able to obtain materials in sufficient time to meet its customers' requirements which would impact on both revenues and cost of sales and, therefore, profitability. The Group has primary and secondary suppliers qualified to provide tubing where available and is seeking to qualify additional tubing suppliers in the United States and abroad.

Cost of materials

The cost of copper, copper alloy and other materials has fluctuated widely over time due to shortages and general market demand thereby increasing prices. At times in the past the Group has not been able to pass on all of the increased costs to its customers; the same may happen in the future. Even when the Group passes on these costs, this reduces gross margins because normal profit margins cannot be added to these costs.

Availability of and costs of labour and technical staff

Connecticut has a limited supply of skilled workers and as it has become more difficult to attract appropriate staff at reasonable cost, a decision was made to relocate the principal manufacturing activities of the Group to North Carolina which is expected to yield a more stable work force at a cost more consistent with pricing structure of the Group's products.

The Group has a limited number of sales and engineering staff and, therefore, larger companies with a bigger workforce have a competitive advantage. The Group has added staffing in these areas and plans to increase its network of sales agents, sales personnel and engineers. The relocation to North Carolina is expected to assist in the hiring of professional staff.

Competition

Larger companies have greater resources and infrastructure and are better able to compete with the Company. In addition, foreign competition selling products at a lower cost base is becoming more prevalent. The Group plans to continue its commitment to new product development and product innovation to maintain its market leadership position. In addition, cost reduction programs and the continuing implementation of lean manufacturing principles are expected to reduce operating costs in the new manufacturing facility once it becomes operational.

OPERATING RESULTS AND DIVIDEND PAYMENTS

The profit for the financial year after taxation amounted to \$838,000 (FY2010: \$739,000).

No dividends were declared during the fiscal years ended 31 March 2011 and 31 March, 2010.

DIRECTORS AND DIRECTORS' INTERESTS

The following have served as directors during the financial year:

T Nairn (resigned 3 December 2010)

S Raina (re-elected by shareholders 27 September 2010)

R Lowe

R Lieberman (re-elected by shareholders 27 September 2010)

A Mirabella (resigned 27 September 2010)

J DeSena (appointed 23 July 2010, elected by shareholders 27 September 2010)

All of the directors are subject to re-election every three years. Mr. Lowe's current term expires in September 2012.

The directors who held office at the end of the financial year had the following interests in the ordinary shares of the Company according to the register of director's interests:

	31 March, 2011 Number of Ordinary Shares Held
J DeSena	2,250,000
R Lowe	66,500
S Raina	65,000
R Lieberman	20,000

All of the directors' interests are beneficial. The directors' interests in share options are set out in the section entitled Directors' Remuneration.

As required to be disclosed under IAS 24, related party transactions are detailed in note 22 to the financial statements.

The Company has made qualifying third party indemnity provisions for the benefit of its directors which were traded during the year and exist at the date of this report. The Company maintains liability insurance covering all directors and officers of the parent Company and its subsidiary.

MAJOR SHAREHOLDINGS

The following interests of shareholders holding 3% or more of the ordinary share capital, other than directors, had been notified to the Company:

	<u>Ordinary Shareholding</u>	<u>%</u>
Thermodynamics, Inc.	2,712,407	21.18
Mr. Joseph DeSena	2,250,000	17.57
Execuzen Limited	2,250,000	17.57
L'Espoire Trust	820,000	6.40

The directors are not aware of any other interests that exceed 3% of the ordinary share capital, other than those arising from notices provided by major shareholders and reviewing the share registers provided by the Company's registrar and transfer agent.

EMPLOYEES

The directors recognize the importance of the Group's employees to the success and future development and are committed to providing an environment that will attract, motivate and reward high quality employees. Employees are kept informed of matters affecting them as employees and factors affecting the performance of the Group through meetings and briefings. The Group welcomes employment from all sectors of the community and is striving to promote equality of opportunity in employment regardless of age, gender, sexual orientation, disability or ethnic origin. It is Group's policy that training, career development and promotion opportunities should be available to all employees.

POLICY AND PRACTICE ON PAYMENT OF CREDITORS

The Group's policy, in relation to all of its suppliers, is to settle the terms of payment when agreeing to the terms of the transaction and to abide by those terms provided that at it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions. The Company is a holding Company and thus the number of days' purchases outstanding is not meaningful.

CORPORATE SOCIAL RESPONSIBILITY

The Group's policy on charitable contributions is to support charities that benefit the local area and/or national causes. Charitable contributions aggregated \$2,056 in 2011 and \$900 in 2010. The Group made no political donations in the financial year.

ENVIRONMENT

The Group has a policy of supporting environmentally friendly products and recycles waste products to the extent practicable.

POLICY ON FINANCIAL INSTRUMENTS

The Group's activities are funded by operating cash flow, supplemented by a revolving line of credit with its bank, overdraft facilities, and term debt instruments where appropriate. The Group has not established a firm policy on the use of financial instruments but assess opportunities on an individual case basis as they arise. Further details on the use of financial instruments are contained in note 3 to the consolidated financial statements.

GOING CONCERN

After making inquiries and based on the Group's bank facilities and cash resources, the directors have formed the judgment, at the time of approving the financial statements that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, the directors continue to adopt the going concern basis in preparing the financial statements.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company is to be held on 26 September, 2011. A separate notice details the various resolutions to be proposed, and if thought fit, adopted by the shareholders.

CORPORATE GOVERNANCE

The directors have considered the provisions and principles of the Combined Code for Corporate Governance (revised 2008). The Company, whose shares are traded on the Alternative

Investment Market, is not formally required to comply with the combined code. However, after considering the Quoted Companies Alliance recommendations in response to the Code's publication, the Board has decided to adopt current best practice. Therefore, so far as is possible for the Company to comply with the Code, The Board has undertaken actions that are appropriate for the size and composition of the Company.

The code establishes four principles of Corporate Governance, which require comment on the following areas:

- The Board and Committee structure
- Directors' Remuneration
- Relations with Shareholders, and
- Accountability and Audit

The Board and Committee Structure

The Company is controlled and managed by the Board of Directors, which comprises two executive and two non-executive directors. The Non-Executive Chairman, Rob Lowe, is responsible for the running of the Board; Sunil Raina, Chief Executive, is responsible for running the Group's business and implementing the Group's strategy as formulated by the Board. The Board is also responsible for other matters including acquisition policy, approval of major capital expenditures and review of financial and operating performance. Each of the non-executive directors is independent of management and contributes to the functioning of the Board, assuring that no one individual or group dominates the Board's decision making process. The Board has a formal schedule of matters specifically reserved to it and normally meets on a bi-monthly basis.

The Board has established the following committees, each of which is formally delegated duties and responsibilities.

Audit Committee

The Audit Committee is comprised of Robert Lowe, Chairman and Joseph DeSena, with Robert Lieberman in attendance as required. The Committee meets not less than twice a year and is responsible for ensuring that the financial performance of the Group, including the effectiveness of internal controls, is properly reported on and monitored. The Audit Committee considers the appointment of, and fees payable to, the external auditors and discusses with them the scope of the annual audit. It also reviews the external auditor's management letter. As part of its duties, the Audit Committee reviews the half-year and annual financial statements for compliance with accounting standards, statutory obligations and the requirements of the AIM rules and Combined Code.

Remuneration Committee

The Remuneration Committee comprises Robert Lowe, who acts as Chairman and Joseph DeSena, with Sunil Raina in attendance as required. The Committee meets at least annually and is responsible for determining and reviewing the Group's policy on executive remuneration. Executive remuneration packages are designed to ensure that the Group's senior executives are fairly rewarded for their individual contributions to the Group. In addition, the Committee administers the operation of the Share Option Schemes established by the Company. The members of the Committee have no personal interest in the outcome of their decisions and seek to serve the best interests of the shareholders to ensure the continuing success of the Group. The remuneration of the non-executive directors is determined by the full Board, excluding the non-executive director under consideration.

Nominations Committee

The Nominations Committee comprises Robert Lowe and Joseph DeSena. The Committee meets as required and is responsible for proposing prospective new members to the Board.

Directors' Remuneration

The Group's policy is to provide remuneration packages to attract retain and motivate directors and senior management, with the goal of encouraging long-term commitment to the development of the Group and enhanced value for shareholders.

Remuneration packages for executive directors comprise basic salaries, benefits, bonuses, contributions to defined contribution pension schemes and longer-term incentives in the form of share option grants. Non-executive directors' remuneration is comprised of salary plus share options.

The remuneration of the Directors for the financial year was (in US \$):

	Salary	Taxable Benefits	Bonus	Defined Contribution Pension Cost	Total 2011	Total 2010	Total 2009
Executive							
Sunil Raina	212,556	20,000	10,000	2,001	244,557	227,833	261,140
Robert Lieberman	180,075	20,000	5,000	2,472	207,547	193,522	217,553
Non-Executive							
Tom Nairn	117,326	-	-	-	117,326	83,087	83,426
Robert Lowe	46,983	-	-	-	46,983	47,497	48,904
Anthony Mirabella	31,422	-	-	-	31,422	31,881	41,608
Joseph DeSena	-	-	-	-	-	-	-
Totals	588,362	40,000	15,000	4,473	647,835	583,820	652,631

Joseph DeSena has elected to forego compensation for his services as a Director. He has requested that in lieu of receiving fees the Group use these funds to augment its engineering and research and development programs.

The taxable benefits disclosed above comprise the provision of a company car or allowance, and premiums for supplementary life and disability insurance benefits.

On 30 June 2009 all then existing share options were rebased at an exercise price of 18p per share, the fair market value at that date. Accordingly all option holders surrendered their option certificates and were issued new certificates referencing the new exercise price. On 27 January 2010 the Company awarded new share options under its unapproved share option scheme aggregating 260,000 shares at an exercise price of 28.5p per share. On 15 July 2010 the Company awarded new share options under its unapproved share option scheme aggregating 400,000 shares at an exercise price of 32.35p per share. On 19 November 2010 the Company awarded new share options under its unapproved share option scheme aggregating 100,000 shares at an exercise price of 32.35p per share

	Balance 31-Mar 2010	<u>Activity During 2011</u>		Balance 31-Mar 2011	Exercise Price	Date of Grant
		Granted	Returned			
<u>Executive</u>						
Sunil Raina	260,000			260,000	18p	30-Jun-09
	100,000			100,000	28.5p	27-Jan-10
		100,000		100,000	32.35p	15-Jul-10
	360,000	100,000	-	460,000		
Robert Lieberman	140,000			140,000	18p	30-Jun-09
	50,000			50,000	28.5p	27-Jan-10
	190,000	-	-	190,000		
<u>Non-Executive</u>						
Robert Lowe	65,000			65,000	18p	30-Jun-09
	35,000			35,000	28.5p	27-Jan-10
	100,000	-	-	100,000		
Tom Nairn	90,000			90,000	18p	30-Jun-09
	50,000			50,000	28.5p	27-Jan-10
	140,000	-	-	140,000		
Anthony Mirabella	65,000			65,000	18p	30-Jun-09
	25,000			25,000	28.5p	27-Jan-10
	90,000	-	-	90,000		

The option holder must hold the option for a minimum of two years before any portion of the option can be exercised. Thereafter the options may be exercised in the following tranches: 33% on or after the second anniversary of the date of grant; 33% on or after the third anniversary of the date of grant; the balance on or after the fourth anniversary of the date of grant. All options expire ten years from date of grant.

Relations with Shareholders

The Company regards communication with its shareholders as important. All shareholders receive a copy of the annual report and interim statement. At the Annual General Meeting shareholders have the opportunity formally question the Board and it is anticipated that the Directors will be available to meet informally with shareholders after the meeting. In addition to the above, corporate information is available on the Group's website www.turbotecproducts.com.

Accountability and Audit

The Directors are responsible for ensuring that the Group establishes and maintains a system of internal operational and financial control. The Board confirms that there is an on-going process for identifying, evaluating and managing significant risks faced by the business. The Board is responsible for the Group's systems of internal control, which are designed to ensure efficient operations while maintaining effective internal control and compliance with laws and regulations. In establishing the system of internal control, the Directors have regard for the materiality of relevant risks, the likelihood of a loss being incurred and the costs of control. Therefore the system of internal control can only give reasonable but not absolute assurance against the risk of material misstatement or loss. Key business risks are identified and controlled by means of such procedures as physical controls, trading and other authorization limits and segregation of duties. Budgeting and forecasting procedures are in place and reports are presented to the Board monthly, providing key performance indicators and financial performance against budget.

Internal Control

The Directors acknowledge that they are responsible for the effectiveness of the Group's system of internal control. Any system of internal control can only provide reasonable and not absolute assurance against material financial misstatement or loss. A review has been carried out during the year by the Directors of the effectiveness of internal control procedures, in accordance with recommendations of the Combined Code on Corporate Governance, 2008. The Directors are satisfied that given the size and current activities of the Group, the internal control procedures adopted and in place adequately meet its needs and requirements. Internal control reviews are performed periodically by the Company's management and written procedures that document control techniques are kept up to date.

Directors' Responsibilities

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website publication

The Directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Group's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Group's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Disclosure of Information to Auditors

The Directors who held office at the date of approval of this director's report confirm that, so far as they are each aware, there is no relevant audit information of which the Group's auditors are unaware; and each Director has taken all of the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

Auditors

In accordance with Section 384 of the Companies Act 2006, a resolution for the re-appointment of BDO LLP as auditor of the Group is to be proposed at the forthcoming Annual General Meeting.

By Order of the Board

Robert Lieberman
Finance Director
24 June, 2011

We have audited the financial statements of Turbotec Products Plc for the year ended 31 March 2011 which comprise the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of financial position, the consolidated cash flow, the Company balance sheet and the related notes. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in preparation of the parent Company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with sections Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and the parent Company's affairs as at 31 March 2011 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent Company's financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

*Ian Beaumont (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
Leeds
United Kingdom
24 June 2011*

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2011**

		2011	2010
	Note	\$'000	\$'000
Revenue		24,839	19,823
Cost of sales	1	<u>(19,886)</u>	<u>(15,092)</u>
Gross profit		4,953	4,731
Distribution expenses		(614)	(564)
Administrative expenses	1	<u>(2,905)</u>	<u>(2,955)</u>
Operating profit from operations	6	1,434	1,212
Finance expenses	5	<u>(10)</u>	<u>(5)</u>
Profit before tax		1,424	1,207
Tax expense	8	(586)	(468)
Profit and total comprehensive income		<u>838</u>	<u>739</u>
Earnings per share – basic	9	<u>\$ 0.07</u>	<u>\$ 0.06</u>
Earnings per share – diluted	9	<u>\$ 0.06</u>	<u>\$ 0.05</u>

The profit for the year is all attributable to the equity holders of the parent Company.

The accompanying notes are an integral part of these consolidated financial statements.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2011**

	Share capital	Share Premium	Retained earnings	Merger Reserve	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 31 March 2009	228	3,441	6,089	(168)	9,590
Profit and total recognized income and expenses for the period	-	-	739	-	739
Share based payment expense	-	-	124	-	124
Balance at 31 March 2010	228	3,441	6,952	(168)	10,453
Profit and total recognized income and expenses for the period	-	-	838	-	838
Share based payment expense	-	-	135	-	135
Balance at 31 March 2011	228	3,441	7,925	(168)	11,426

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2011
COMPANY NUMBER 5593339

	Note	2011	2010
		\$'000	\$'000
Assets			
Non-current assets :			
Property, plant and equipment	11	11,778	5,424
Intangible assets	12	271	355
Other		9	109
		<u>12,058</u>	<u>5,888</u>
Current assets :			
Inventories	10	4,365	3,750
Trade and other receivables	14	1,969	1,539
Cash and cash equivalents		5	1,464
		<u>6,339</u>	<u>6,753</u>
Total Assets		<u>18,397</u>	<u>12,641</u>
Liabilities			
Non-current liabilities :			
Loans and borrowings	16	764	82
Deferred tax liability	20	894	875
		<u>1,658</u>	<u>957</u>
Current liabilities :			
Trade and other payables	15	2,488	1,125
Loans and borrowings	16	2,827	85
Current tax liabilities		(2)	21
		<u>5,313</u>	<u>1,231</u>
Total Liabilities		<u>6,971</u>	<u>2,188</u>
Net Assets		<u>11,426</u>	<u>10,453</u>
Shareholders' equity:			
Share capital	17	228	228
Share premium account		3,441	3,441
Merger reserve		(168)	(168)
Retained earnings		7,925	6,952
Total equity		<u>11,426</u>	<u>10,453</u>

The accompanying notes are an integral part of these consolidated financial statements

The financial statements were approved and authorized for issue by the Board on 24 June 2011 and were signed on its behalf by:

RI Lieberman
 Director

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2011**

	2011	2010
	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	1,424	1,207
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	476	426
Finance expense	10	5
Charge recognized in respect of share based payment	135	124
	<hr/>	<hr/>
Cash flows from operating activities before changes in working capital and provisions	2,045	1,762
(Increase) decrease in inventory	(615)	(178)
(Increase) decrease in trade and other receivables	(430)	113
Increase (decrease) in trade and other payables	1,293	(201)
	<hr/>	<hr/>
CASH GENERATED FROM OPERATIONS	2,293	1,496
Taxes paid	(520)	(510)
	<hr/>	<hr/>
Net cash flows from operating activities	1,773	986
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, plant and equipment	<u>(6,646)</u>	<u>(848)</u>
Net cash used in investing activities	<u>(6,646)</u>	<u>(848)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from bank borrowings	3,645	-
Principal payments on long term debt	(221)	(178)
Finance expense	<u>(10)</u>	<u>(5)</u>
Net cash used in financing activities	<u>3,414</u>	<u>(183)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,459)	(45)
CASH AND CASH EQUIVALENTS, beginning of period	<u>1,464</u>	<u>1,509</u>
CASH AND CASH EQUIVALENTS, end of period	<u><u>5</u></u>	<u><u>1,464</u></u>

The accompanying notes are an integral part of these consolidated financial statements

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation:

The financial statements of the Group have been prepared in conformity with International Financial Reporting Standards ("IFRS" and IFRIC interpretations) issued by the International Accounting Standards Board as adopted for use in the European Union and with those parts of the Companies Act of 2006 applied to companies preparing their accounts under IFRS. The Company has elected to prepare its parent Company financial statements in accordance with UK GAAP; see page 48.

Currency:

The accounts are presented in US dollars which is also the functional currency of the parent and the principal subsidiary undertaking. Share capital raised in sterling has been translated at the rate prevailing on the date of issue.

Transactions entered into by Group entities in a currency other than the functional currency are recorded at the prevailing rates when the transactions occur. Foreign currency monetary assets and liabilities are not material.

Basis of consolidation:

The consolidated financial statements incorporate the financial statements of the Company and its subsidiary, Turbotec Products, Inc. ("Turbotec").

Where the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities, it is classified as a subsidiary. In assessing control, potential voting rights that presently are exercisable or exercisable on conversion are taken into account. Intercompany transactions and balances between Group companies are eliminated in consolidation.

Reclassification of Accounts

Certain overheads have been reclassified from administrative expenses to cost of sales for the comparative period. This reclassification was made for the comparability with the reported performance for the year ended 31 March 2011 as after careful consideration management determined that these costs were manufacturing overhead in nature.

Cash Equivalents:

Cash and cash equivalents include cash on hand, deposits held with banks, short term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within loans and borrowings in current liabilities on the balance sheet.

Receivables:

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally from the provision of goods to customers (e.g. trade receivables) but also incorporate other types of contractual monetary asset. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue and are subsequently carried at amortized cost using the effective interest rate method, less provision for impairment.

Impairment provisions are recognized when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Group will be unable to collect all of the amounts due under the terms receivable, the amount

of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net; such provisions are recorded in a separate allowance account with the loss being recognized within administrative expenses in the income statement. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Inventories:

Inventories are valued at the lower of cost or net realizable value, with cost determined on a standard cost basis which approximates a first-in, first-out basis. Factors that could effect the valuation of inventory include product demand, the timing and success of technological innovations, competitor actions, supplier prices and economic trends. The Company reviews the carrying values of its inventory on a regular basis during the year to address the potential impact of these factors on inventory valuation.

Property, plant and equipment and depreciation:

Property, plant and equipment are initially recognized at cost, which includes directly attributable costs and other related costs such as capitalized interest, transportation, installation and related costs. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, once the asset has been completed and placed into service. Expenditures for major renewals and betterments that extend the useful lives of tangible fixed assets are capitalized and the related items that are being replaced are derecognized; expenditures for maintenance and repairs are charged to expense as incurred. Leasehold improvements are depreciated over the shorter of the life of the asset or the remainder of the lease.

Estimated useful lives to compute depreciation are:

Office equipment, furniture and fixtures	7 years
Machinery and equipment	5 - 20 years
Leasehold improvements	10 years
Vehicles	5 years
Building and building improvements	30 years

Goodwill:

Goodwill represents the excess of the cost of a business combination over the interest in the fair value of identifiable assets, liabilities and contingent liabilities acquired. Cost comprises the fair values of assets given, liabilities assumed and equity instruments issued, plus any direct costs of acquisition.

Goodwill is capitalized as an intangible asset with any impairment in carrying value being charged to the consolidated income statement. Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is credited in full to the consolidated income statement on the acquisition date.

Internally generated intangible assets:

Internally generated intangible assets are pre-production design and development costs related to specific new products and are deferred and amortized over the useful lives of the products.

Expenditures for internally generated intangible assets are capitalized only if it can be demonstrated that:

- It is technically feasible to develop the product for it to be sold
- Adequate resources are available to complete the development
- There is an intention to complete and sell the product
- The Group is able to sell the product
- Sale of the product will generate future economic benefits
- Expenditure on the project can be measured reliably

Capitalized development costs are amortized over the expected lives of the related products once sales of these products commence on a commercial level. The amortization expense is included within the administrative expenses line in the consolidated statement of comprehensive

income. Development expenditures not satisfying the above criteria and expenditure on the research phase of internal projects are recognized in the income statement as incurred.

Impairment:

Impairment tests on goodwill and other intangible assets with indefinite useful economic lives are undertaken annually on 31 March based on related estimated fair values by comparing estimated future cash flow with the asset's carrying value to determine whether a write-down to market value, based on discounted cash flow is necessary. Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount the asset is written down accordingly.

Impairment charges are included in administrative expenses in the income statement except to the extent that they reverse gains previously recognized in the statement of recognized income and expense.

Revenue Recognition:

Revenues are recognized when title of products and risk of loss are transferred to the customer. Customer returns are limited to warranty related issues and are not material to operating results based on historical experience. Additional conditions for recognition of revenue are that collections of sale proceeds are reasonably assured and the Company has no further performance obligation according to the sales agreement.

Shipping and handling costs:

Shipping and handling costs, including amounts billed to customers, are included in cost of goods sold.

Income Taxes:

The tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability in the balance sheet differs to its tax base, except for differences arising from:

- The initial recognition of goodwill;
- Goodwill for which amortization is not tax deductible;
- The initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit; and
- Investments in subsidiaries and jointly controlled entities where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilized.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the deferred tax items are recognized. Deferred tax balances are not discounted.

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:

- The same taxable Group Company, or
- Different Group entities which intend either to settle current tax assets and liabilities on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

Share Based Payments:

The financial statements reflect the fair value of providing share options and the corresponding increase in shareholders' equity.

The share option program allows employees, officers and directors to acquire shares of the Company. The fair value of options granted is recognized as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the grantee becomes unconditionally entitled to the options. The fair value of the options granted is measured using the binomial lattice model, taking into account the terms and conditions upon which the options were granted. These assumptions include the dividend growth rate, expected volatility and expected life of the options. The amount recognized as an expense is adjusted to reflect the actual number of share options that vest except where variations are due only to share prices not achieving the threshold for vesting.

Leases:

Assets held under finance leases are recognized as assets of the Group at their fair value, or if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to income over the period of the lease.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the lease.

Financial liabilities

Financial liabilities include the following items:

- Trade payables and other short term monetary liabilities, which are initially recognized at fair value and are subsequently carried at amortized cost using the effective interest method
- Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Segment Reporting:

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the management team including the Managing Director and the Finance Director.

Retirement benefit costs:

Payments to defined contribution retirement benefit schemes are charged as an expense when they fall due.

New Accounting Standards:

(a) New standards, amendments to published standards and interpretations to existing standards effective in 2011 adopted by the Group.

-Improvements to IFRSs (2010). The improvements in this Amendment clarify the requirements of IFRSs and eliminate inconsistencies within and between Standards.

The changes include the clarification that: The disclosure requirements of other IFRSs do not generally apply to non-current assets (or disposal Groups) classified as held for sale; total assets

for each reportable segment need only be disclosed when such information is regularly provided to the chief operating decision maker; that the terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not effect its classification, and; that only expenditures that result in a recognized asset can be classified as a cash flow from investing activities. It also confirms that the combination of entities or businesses under common control and the contribution of a business on the formation of a joint venture are outside of the scope of IFRS 2 and that IFRIC 9 also does not apply to embedded derivatives in contracts acquired in such transactions.

The Amendment changes IAS 38 to bring the guidance on the treatment of intangible assets acquired as part of a business combination in line with the requirements of IFRS 3(R) and to clarify the description of valuation techniques used in the absence of an active market. It removes the restriction in IFRIC 16 on the entity that can hold a hedging instrument used in the hedge of a net investment in a foreign operation and also introduces changes to IAS 17 that eliminate the inconsistencies between the general lease classification guidance and the guidance applicable to the classification of the land element in long-term leases of land and buildings. The latter changes may lead to an increased number of instances when the land element of a lease of land and buildings is classified as a finance lease.

Finally, Improvements to IFRSs (2010) introduces a number of changes to IAS 39. These changes restrict the scope exemption in IAS 39.2(g) to forward contracts between an acquirer and a selling shareholder to buy or sell an acquiree in a business combination at a future acquisition date (i.e. removing the scope exemption for option contracts whether or not currently exercisable, that on exercise will result in control of an entity). It also clarifies when embedded prepayment options can be considered closely related to a host contract, the timing of reclassification adjustments in designated cash flow hedging relationships and, the use of internal contracts in hedging relationships.

- *Revised IAS 24 Related Party Disclosures.* The revision to IAS 24 is in response to concerns that the previous disclosure requirements and the definition of a related party were too complex and difficult to apply in practice, especially in environments where government control is pervasive. The revised standard addresses these concerns by:

- *Providing a revised definition of a related party* – The structure of definition of a related party has been simplified and inconsistencies eliminated. Illustrative examples have also been added. The revised definition will mean that some entities will have more related parties for which disclosures will be required. The entities that are most likely to be affected are those that are part of a Group that includes both subsidiaries and associates, and entities with shareholders that are involved with other entities.

(b) New standards, amendments to published standards and interpretations to existing standards effective in 2011 but which are not relevant to the Group:

- *IFRIC 17 Distributions of Non-cash Assets to Owners.*

- *IFRIC 18 Transfer of Assets from Customers.*

- *IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments*

- *Amendment to IFRIC 14 Prepayments of a Minimum Funding Requirement.*

- *Revised IFRS 3 Business Combinations*

- *Amendments to IAS 27 Consolidated and Separate Financial Statements*

- *Group Cash-settled Share Payment Transactions (Amendments to IFRS 2)*

- *Classification of Rights Issues (Amendment to IAS 32)*

(c) Standards, amendments and interpretations to published standards not yet effective. Certain new standards, amendments and interpretations to new standards have been published

that are mandatory for the Group's accounting periods beginning on or after 1 January 2011 or later periods. None of these are expected to have a material impact on the financial results of the Group. These are:

- *Deferred Tax: Recovery of Underlying Assets (Amendments to IAS 12)*
- *IFRS 9- Financial Instruments*
- *Disclosures- Transfers of Financial Assets (Amendments to IFRS 7)*
- *Severe Hyperinflation and Removal of Fixed Dates for First Time Adopters (Amendments to IFRS 1)*

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group makes certain estimates and assumptions regarding the future. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Goodwill

The Group is required to test, on an annual basis, whether goodwill has suffered any impairment. The recoverable amount is determined based on value in use calculations. The use of this method requires the estimation of future cash flows and the choice of a discount rate in order to calculate the present value of the cash flows. Actual outcomes may vary. More information including carrying values is included in the note 12.

Useful lives of intangible assets and property, plant and equipment

Intangible assets and property, plant and equipment are amortized or depreciated over their useful lives. Useful lives are based on the management's estimates of the period that the assets will generate revenue, which are periodically reviewed for continued appropriateness. Changes to estimates can result in significant variations in the carrying value and amounts charged to the consolidated income statement in specific periods. More details including carrying values are included in notes 11 and 12.

Fair value of financial instruments

The Company determines concentrations of credit risk by quarterly monitoring the creditworthiness rating of existing customers and through a monthly review of the trade receivables' ageing analysis. In monitoring the customer's credit risk, customers are grouped according to their credit characteristics. Customers that are graded as "high risk" are placed on a restricted customer list, and future sales are made on a prepayment basis with approval of the senior management. See note 3 for further details on the qualitative disclosures on credit risk and the historic default rate on customer accounts.

Inventory

The Company reviews the net realizable value of, and demand for, its inventory on a quarterly basis to provide assurance that recorded inventory is stated at the lower of cost or net realizable value. Factors that could impact estimated demand and selling prices include the timing and success of future technological innovations, competitor actions, supplier prices and economic trends. If total inventory losses differ from management estimates by 1%, the Group's consolidated net income in 2011 would have improved/declined by an estimated \$5,000, depending upon whether the actual results were better/worse, respectively, than expected.

Share based payments

The financial statements reflect the fair value of providing share options and the corresponding

increase in shareholders' equity.

The share option program allows employees, officers and directors to acquire shares of the Company. The fair value of options granted is recognized as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the grantee becomes unconditionally entitled to the options. The fair value of the options granted is measured using the binomial lattice model, taking into account the terms and conditions upon which the options were granted. These assumptions include the dividend growth rate, expected volatility and expected life of the options. The amount recognized as an expense is adjusted to reflect the actual number of share options that vest except where variations are due only to share prices not achieving the threshold for vesting.

Warranty claims

The Company offers a one year warranty from the date of shipment on its products against defects in workmanship. The warranty does not cover fitness of application for a particular purpose, misapplication of the product by a customer or misuse of the product by the customer. The Company physically inspects and performance tests each coil before it is shipped to a customer to minimize that chance of a warranty related failure. As there are no moving parts contained in the Company's products, it is extremely unlikely that a product will fail in the field after it passes final inspection at the plant. Warranty related claims have historically been very low throughout the Company's history (less than one half of one percent of sales), therefore the Company does not provide for a warranty reserve.

Legal proceedings

In accordance with IFRS the Group recognizes a provision where there is a present obligation from a past event, a transfer of economic benefits is probable and the amount of costs of the transfer can be estimated reliably. In instances where the criteria are not met, a contingent liability may be disclosed in the notes to the financial statements. Obligations arising in respect of contingent liabilities that have been disclosed, or those which are not currently recognized or disclosed in the financial statements could have a material effect on the Group's financial position. Application of these accounting principles to legal cases requires the Group's management to make determinations about various factual and legal matters beyond its control.

The Group reviews outstanding legal cases following developments in the legal proceedings and at each balance sheet date, in order to assess the need for provisions and disclosures in its financial statements. Among the factors considered in making decisions on provisions are the nature of litigation, claim or assessment, the legal process and potential level of damages in the jurisdiction in which the litigation, claim or assessment has been brought, the progress of the case (including the progress after the date of the financial statements but before those statements are issued), the opinions or views of legal advisers, experience on similar cases and any decision of the Group's management as to how it will respond to the litigation, claim or assessment. Current outstanding legal proceedings are discussed in more detail in note 24.

Income taxes

The Group is subject to income tax in several jurisdictions and significant judgment is required in determining the provision for income taxes. During the ordinary course of business, there are transactions and calculations for which the ultimate tax determination is uncertain. As a result, the Company recognizes tax liabilities based on estimates of whether additional taxes and interest will be due. These tax liabilities are recognized when, despite the Company's belief that its tax return positions are supportable, the Company believes that certain positions are likely to be challenged and may not be fully sustained upon review by tax authorities. The Group is not aware of any such circumstances at the present time.

The Group believes that its accruals for tax liabilities are adequate for all open audit years based on its assessment of many factors including past experience and interpretations of tax law. This assessment relies on estimates and assumptions and may involve a series of complex judgments about future events. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will impact income tax expense in the period in which such determination is made.

3. FINANCIAL INSTRUMENTS - RISK MANAGEMENT

The Group is exposed through its operations to the following financial risks:

- Credit risk
- Market risk
- Fair value and cash flow interest rate risk
- Foreign exchange risk
- Liquidity risk
- Capital risk

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note. Unless stated below, the carrying value is a reasonable approximation of fair value.

Principal financial instruments

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

- trade receivables
- cash at bank
- bank overdrafts
- trade and other payables
- floating-rate bank loans
- fixed rate bank loans

General objectives, policies and processes

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function. The Board receives monthly reports from the Group Financial Director through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below:

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group is mainly exposed to credit risk from credit sales. It is Group policy, implemented locally, to assess the credit risk of new customers before entering contracts. Such credit ratings are taken into account by local business practices.

The Company has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer, which represents the maximum open amount without requiring approval from senior management. These limits are reviewed at least quarterly. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group on a prepayment basis.

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. For banks and financial institutions, only independently rated parties with minimum rating "A" are accepted. The Group does not enter into derivatives to manage credit risk.

Quantitative disclosure of the credit risk exposure in relation to trade and other receivables, which are neither past due nor impaired, are disclosed in the note 14. An analysis of the Group's current, net trade receivable balance by credit rating along with historical default rates is shown in the table below:

	2011 (\$'000's)	% of Balance	2010 (\$'000's)	% of Balance	Historic Default Rate
Current trade receivables					
A	1,405	78%	1,128	81%	0%
B	312	17%	143	11%	3%
C	5	0%	33	2%	6%
Unrated	86	5%	89	6%	50%
	<u>1,808</u>	<u>100%</u>	<u>1,393</u>	<u>100%</u>	

The unrated category represents former customers who have ceased operations or collection has otherwise been deemed doubtful. The Company monitors the utilization of the credit limits regularly and at the reporting date does not expect any losses from non-performance by the counterparties.

The Company determines concentrations of credit risk by quarterly monitoring the creditworthiness rating of existing customers and through a monthly review of the trade receivables' ageing analysis. In monitoring the customer's credit risk, customers are grouped according to their credit characteristics. Customers that are graded as "high risk" are placed on a restricted customer list, and future sales are made on a prepayment basis with approval of the senior management.

Market risk

Market risk arises from the Group's use of interest bearing and foreign exchange financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk) and changes in exchange rates. There is minimal exposure to exchange rates and fixed interest on loans.

Fair value and cash flow interest rate risk

The Group is exposed to cash flow interest rate risk from long-term borrowings at variable rate. To reduce this risk the Group elected to fix the interest rate on the Hickory mortgage at 5.4% for three years (see note 16). During 2011 and 2010, the Group's borrowings at variable rate were denominated in US dollars. The Group analyses the interest rate exposure on a quarterly basis. A sensitivity analysis is performed by applying a simulation technique to the liabilities that represent major interest-bearing positions. Various scenarios are run taking into consideration refinancing, renewal of the existing positions, alternative financing and hedging. Based on the simulations performed, the impact on profit or loss and net assets of a 100 basis-point shift (being the maximum reasonable expectation of changes in interest rates) would be an increase or a decrease of \$13,000 (2010 – \$2,000). The gain or loss potential was then compared to the limits determined by management. Due to the small amount of cash flow interest risk, no further analysis was performed.

Foreign exchange risk

Foreign exchange risk arises because the Group's corporate headquarters are located in the UK and certain expenses are incurred which are not in the functional currency. The expenses incurred in the UK are primarily for directors and advisor fees. The Company periodically reviews the exchange rates between US dollars and pounds sterling and will occasionally purchase pounds sterling in advance of the due date if the exchange rate is deemed favorable by the Finance Director. These amounts are not considered significant in relation to the aggregate expenses incurred by the Group. Other than these expenses, no foreign exchange risk exists as the Group conducts its business with international customers in US dollars.

Liquidity risk

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, it seeks to maintain cash balances (or agreed facilities) to meet expected requirements for a period of at least 45 days. The Group also seeks to reduce liquidity risk, when possible, by fixing interest rates (and hence cash flows)

on significant new long-term borrowings. Accordingly, the interest rate for the mortgage on the new Hickory, North Carolina facility has been fixed for first three years of its term.

The Board receives projections of operating results on a monthly basis as well as information regarding cash balances. At the balance sheet date, these projections indicated that the Group expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances utilizing draw downs as required on its overdraft facility.

The following table sets out the contractual maturities (representing undiscounted contractual cash flows) of financial liabilities:

	Up to 3 Months	Between 3-12 Months	Between 1-2 Years	Between 2-5 Years	Over 5 Years
At 31 March 2011 (\$000's)					
Trade and other payables	2,488	-	-	-	-
Loans and borrowings	2,585	185	267	635	-
Total	5,073	185	267	635	-

At 31 March 2010 (\$000's)

Trade and other payables	1,125	-	-	-	-
Loans and borrowings	22	66	83	-	-
Total	1,147	66	83	-	-

At 31 March 2011 the mortgage on the Hickory facility is reflected above as payable in the first three month period as the Group was not in compliance with a loan covenant at year end. A waiver from the bank was received subsequent to the year end and the mortgage remains payable under its original five year term. See note 16 for further details.

Capital risk

The Group's objectives when maintaining capital are:

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Group sets the amount of capital it requires in proportion to risk. The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the debt to adjusted capital ratio. This ratio is calculated as net debt adjusted capital. Net debt is calculated as total debt (as shown in the balance sheet) less cash and cash equivalents. Adjusted capital comprises all components of equity (i.e. share capital, share premium, and retained earnings)

During 2011, the Groups strategy, which was unchanged from 2010, was to maintain the debt-to adjusted capital ratio below 2:1, in order to secure access to finance at a reasonable cost. The debt-to-adjusted capital ratios at 31 March 2011 and at 31 March 2010 were as follows (in both years the ratio was significantly below 1:1):

	2011 (\$000's)	2010 (\$000's)
Total debt	6,868	2,346
Less: Cash and equivalents	5	1,622
Net debt	<u>6,863</u>	<u>724</u>
Total equity	<u>11,495</u>	<u>10,453</u>
Debt to adjusted capital ratio	<u>0.60 : 1</u>	<u>0.07 : 1</u>

The reduction in the debt to adjusted capital ratio in 2011 resulted primarily from the increase in debt associated with the acquisition of plant and equipment as part of the relocation of operations to North Carolina.

4. SEGMENT REPORTING AND MAJOR CUSTOMER INFORMATION

All business within the Group is confined to the design and manufacture of heat exchangers and heat transfer products with internal reporting to the chief operating decision makers made on the basis of that business alone. On this basis the directors consider that the Group has one operating segment. Revenues derived outside the United States of America amounted to \$1.2m (2010: \$1.3m). Accordingly no segment information is provided on either an operational or geographical basis.

The Company had three customers that represented 38%, 12% and 11% of sales in 2011 and two customers that represented 39% and 13% of sales in 2010. There are no material differences between the profits reported internally to the chief operating decision maker and those reported in the financial statements

5. FINANCE EXPENSE

	2011 (\$000's)	2010 (\$000's)
Bank borrowings	<u>10</u>	<u>5</u>

During the year ended 31 March 2011 approximately \$110,000 (2010: nil) of interest charges related to the building mortgage for the North Carolina facility was capitalized as this property is under development. Once this project has been completed, interest will be expensed as a period cost.

6. OPERATING PROFIT

Operating profit is stated after charging:

	2011 (\$000's)	2010 (\$000's)
Fees payable to the Company's auditors for the audit of the company's financial statements	35	32
Fees payable to the Company's auditors and its associates for other services:		
Audit of the company's subsidiaries pursuant to legislation	52	55
Tax services	10	12
Depreciation of owned tangible fixed assets	393	336
Depreciation of leased tangible fixed assets	-	6
Amortization of intangible assets	84	84
Rentals payable under operating leases		
Land and buildings	628	603
Research and development expenses	368	387

7. STAFF NUMBER AND COSTS

The average number of persons employed by the Group (including Directors) during the year, analyzed by category, was as follows:

	2011 # Employees	2010 # Employees
Sales	4	4
Technical	88	65
Administrative	<u>37</u>	<u>36</u>
	<u>129</u>	<u>105</u>

The aggregate payroll costs of these persons were as follows:

	2011 (\$000's)	2010 (\$000's)
Wages and salaries	5,293	4,109
Payroll taxes and employee benefits	1,032	532
Share based payment expense	131	124
Other pension costs	<u>49</u>	<u>4</u>
	<u>6,505</u>	<u>4,769</u>

Directors and key management personnel remuneration:

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, represented by the directors of the Company listed on page 12.

Directors' remuneration and key management compensation for the directors was as follows:

	2011 (\$000's)	2010 (\$000's)
Emoluments	644	584
Defined contribution pension cost	<u>4</u>	<u>-</u>
Directors remuneration	648	584
Share based payment expense	<u>83</u>	<u>93</u>
Key management compensation	<u>731</u>	<u>677</u>

Amounts paid to the highest paid director amounted to \$245,000 (2010: \$228,000). There were two executive directors participating in the Group's defined contribution pension scheme (2010: 2).

Group contributions to the defined contribution pension scheme for the highest paid director in 2010 aggregated approximately \$2,000 (2010: nil).

8. TAXATION

Analysis of charge in period:

	2011 (\$000's)	2010 (\$000's)
Current Tax Expense		
Income tax computed at US tax rates	567	493
UK corporation tax	-	-
Total current tax expense	<u>567</u>	<u>493</u>
Deferred tax expense computed at US tax rates	19	(25)
Total income tax expense	<u><u>586</u></u>	<u><u>468</u></u>

Tax reconciliation:

The tax for the period is different than the standard rate of corporate tax in the UK (28% in 2011 and 2010). The differences on a combined basis after consideration of both UK and US tax authorities are attributable to the following:

	2011 (\$000's)	2010 (\$000's)
Profit Before Tax	1,424	1,207
Profit before tax multiplied by rate of corporate tax in the UK of 28% (2010:28%)	399	338
Effect of:		
Higher rate of tax on overseas earnings	176	135
Unrelieved losses carried forward	-	134
Differences between taxable and book income	123	(52)
Overaccrual from prior year	-	(72)
Utilization of tax losses	(161)	-
Other	49	(15)
Total taxation	<u><u>586</u></u>	<u><u>468</u></u>

9. BASIC EARNINGS PER SHARE AND DILUTED EARNINGS PER SHARE

The calculations of basic and diluted earnings per ordinary share are based on the profit for the financial year and the weighted average number of equity voting shares in issue and dilutive shares during the year.

	2011		2010	
	Income (Numerator)	Shares (Denominator)	Income (Numerator)	Shares (Denominator)
Net income	<u>838</u>		<u>739</u>	
Basic EPS				
Income available to common shareholders	838	12,806,773	739	12,806,773
Effect of Dilutive Securities				
Stock options	<u>1,360,000</u>		<u>707,781</u>	
Diluted EPS				
Income available to common shareholders including assumed conversions	<u>838</u>	<u>14,166,773</u>	<u>739</u>	<u>13,514,554</u>

10. INVENTORY

The major classes of inventory at 31 March consist of the following:

	<u>2011</u> (\$000's)	<u>2010</u> (\$000's)
Raw materials	2,411	2,021
Work-in-process	198	95
Finished goods	<u>1,756</u>	<u>1,634</u>
	<u>4,365</u>	<u>3,750</u>

11. PROPERTY, PLANT AND EQUIPMENT

	Leasehold Improvements (\$000's)	Motor Vehicles (\$000's)	Machinery & Equipment (\$000's)	Furniture & Fixtures (\$000's)	Buildings & Impvts (\$000's)	Land (\$000's)	Total (\$000's)
2011							
Cost							
Balance at 1 April, 2010	174	103	9,259	1,414	161	-	11,111
Additions	5	14	2,206	74	4,194	254	6,747
Balance at 31 March, 2011	<u>179</u>	<u>117</u>	<u>11,465</u>	<u>1,488</u>	<u>4,355</u>	<u>254</u>	<u>17,858</u>
Depreciation							
Balance at 1 April, 2010	69	71	4,466	1,081	-	-	5,687
Charged this year	6	19	284	84	-	-	393
Balance at 31 March, 2011	<u>75</u>	<u>90</u>	<u>4,750</u>	<u>1,165</u>	<u>-</u>	<u>-</u>	<u>6,080</u>
Net Book Value At 31 March, 2011	<u>104</u>	<u>27</u>	<u>6,715</u>	<u>323</u>	<u>4,355</u>	<u>254</u>	<u>11,778</u>
2010							
Balance at 1 April, 2009	174	88	8,781	1,320	-	-	10,363
Additions	-	15	478	94	161	-	748
Balance at 31 March, 2010	<u>174</u>	<u>103</u>	<u>9,259</u>	<u>1,414</u>	<u>161</u>	<u>-</u>	<u>11,111</u>
Depreciation							
Balance at 1 April, 2009	57	79	4,182	1,027	-	-	5,345
Charged this year	12	(8)	284	54	-	-	342
Balance at 31 March, 2010	<u>69</u>	<u>71</u>	<u>4,466</u>	<u>1,081</u>	<u>-</u>	<u>-</u>	<u>5,687</u>
Net Book Value At 31 March, 2010	<u>105</u>	<u>32</u>	<u>4,793</u>	<u>333</u>	<u>161</u>	<u>-</u>	<u>5,424</u>

Machinery and equipment and furniture and fixtures are pledged as collateral for bank borrowings (see note 16). In April 2010 the Company completed the acquisition of a 100,000 square foot building and adjacent undeveloped land in Hickory, North Carolina. Approximately \$4,355,000 of costs incurred at 31 March 2011 (\$161,000 at 31 March 2010) related to the acquisition and development of the property are included as costs of the new facility. The new facility is projected to become operational and commence depreciation in the fiscal year ending 31 March 2012.

12. INTANGIBLE FIXED ASSETS

	Goodwill (\$000's)	Deferred Research & Development (\$000's)	Total (\$000's)
2011			
Cost			
Balance at 1 April, 2010	94	387	481
Additions	-	-	-
Balance at 31 March, 2011	<u>94</u>	<u>387</u>	<u>481</u>
Amortization			
Balance at 1 April, 2010	-	126	126
Charged this year	-	84	84
Balance at 31 March, 2011	<u>-</u>	<u>210</u>	<u>210</u>
Net Book Value At 31 March, 2011	<u>94</u>	<u>177</u>	<u>271</u>
2010			
Balance at 1 April, 2009	94	387	481
Additions	-	-	-
Balance at 31 March, 2010	<u>94</u>	<u>387</u>	<u>481</u>
Amortization			
Balance at 1 April, 2009	-	42	42
Charged this year	-	84	84
Balance at 31 March, 2010	<u>-</u>	<u>126</u>	<u>126</u>
Net Book Value At 31 March, 2010	<u>94</u>	<u>261</u>	<u>355</u>

Goodwill relates to the acquisition of a technology Company acquired by the US parent Company in 1985. The operations of that Company were subsequently integrated into the Company's primary manufacturing facility. The technology acquired continues to be used by the Group as an integral part of the engineering and manufacturing of its current product line.

The Group operates as a single integrated business and as such has one operating segment, which is used as the reporting unit for the purposes of evaluating goodwill impairment. In accordance with IFRS 3, the Group regularly monitors the carrying value of intangible assets. A review was undertaken at 31 March 2011 to assess whether the carrying value of assets was supported by the net present value of cash flows derived from those assets using detailed future cash flow forecasts for a period of two years followed by projections up to a ten year period. Management has deemed this time frame appropriate to measure this asset given the expected marketability of the underlying products supported by this technology. The discount rates for the review were based on Company specific weighted average cost of capital, which approximated 8%. The future cash flows have been modeled to increase in line with historic rates. Further to the review, there have been no impairments to the carrying amount of goodwill in any period.

Other intangible assets are pre-production design and development costs related to specific new products and will be deferred and amortized over the useful lives of the products, once sales commence on a commercial level. The Group began to amortize these costs over a five year period commencing October 2008.

13. INVESTMENTS IN SUBSIDIARIES

The following companies are subsidiary undertakings of the Company at 31 March, 2011 and been consolidated into the Group's results:

	Country of Incorporation	Principal Activity	% Owned
Turbotec Products, Inc	United States	Manufacture of heat transfer products	100

14. TRADE AND OTHER RECEIVABLES

A summary of the Group's trade and other receivables is as follows:

	2011 (\$000's)	2010 (\$000's)
Group		
Trade receivables	1,808	1,393
Less: Provision for impairment of receivables	(86)	(94)
Trade receivables, net	<u>1,722</u>	<u>1,299</u>
Prepayments	247	240
	<u>1,969</u>	<u>1,539</u>

All trade and other receivables are due within one operating cycle and therefore are classified as current assets. All trade receivables are invoiced in US dollars to avoid currency translation risks.

Movements on the Group's provision for impairment of trade receivables are as follows:

	2011 (\$000's)	2010 (\$000's)
Balance at beginning of year	94	208
Provision during year	9	48
Amounts written off as uncollectible		(162)
Other changes to account	(17)	-
Balance at end of year	<u>86</u>	<u>94</u>

Overall the Group's experience in collection of accounts receivable has been within management's expectations. See note 3 for further details on credit risk. To the extent trade and other receivables are not carried at fair value in the consolidated balance sheet, book value approximates fair value at 31 March 2011 and 2010. Trade receivables that are past due but considered collectible by the Company are not included in the provision for the impairment of trade receivables.

31 March 2011 trade receivables of \$317,000 (2010: \$285,000) were past due but not impaired. They relate to customers with no default history. The aging analysis of these receivables is as follows:

	2011 (\$000's)	2010 (\$000's)
Up to 3 months	312	280
3 to 6 months	5	5
6 to 12 months	-	-
	<u>317</u>	<u>285</u>

At 31 March 2011 trade receivables of \$86,000 (2010: \$89,000) were past due and impaired. The amount of the provision for doubtful accounts at 31 March 2011 was \$86,000 (2010: \$94,000). These receivables relate to customers that have filed for bankruptcy protection and whose cases remain open or have ceased business operations without filing for bankruptcy protection. Collection efforts against these companies have been unsuccessful to date. The aging of these receivables is as follows:

	2011 (\$000's)	2010 (\$000's)
Up to 3 months	-	-
3 to 6 months	-	-
6 to 12 months	86	89
	<u>86</u>	<u>89</u>

15. TRADE AND OTHER PAYABLES

	2011 (\$000's)	2010 (\$000's)
Trade payables	1,838	865
Accrued expenses	650	260
	<u>2,488</u>	<u>1,125</u>

To the extent trade and other payables are not carried at fair value in the consolidated balance sheet, book value approximates fair value at 31 March 2011 and 2010.

16. LONG TERM BORROWINGS

	2011 (\$000's)	2010 (\$000's)
Current financial liabilities		
Bank loans- secured	2,437	85
Revolving line of credit	390	-
Current loans and borrowings	<u>2,827</u>	<u>85</u>
Non-current financial liabilities		
Bank loans- secured	<u>764</u>	<u>82</u>

The bank loans are secured by a fixed charge over the assets of the Group. In addition, the Group must comply with certain financial and non-financial covenants, noncompliance with which would be considered an event of default and provide the bank with the right to demand repayment prior to the loan's maturity date.

In April 2010 the Group entered into a mortgage agreement with its bank as the primary source of funding for the Hickory, North Carolina facility. The mortgage was in the amount of \$2,215,000, repayable under a 25 year amortization schedule with a maturity date of April 2015. Interest for the first three years has been fixed at a rate of 5.4% with a floating rate thereafter. In June 2011 the Group's bank waived non-compliance with a covenant that existed at 31 March 2011. Therefore, although the entire balance of the mortgage is shown above as a current liability, the loan remains repayable under its original terms, with \$2,134,000 due after 31 March 2012.

The interest rate on floating rate financial liabilities is linked to the bank's prime rate. The interest rates charged at the balance sheet for floating rate debt are as follows:

	31 March 2011	31 March, 2010
Bank overdrafts and secured loans	3.25%	3.25%

The Group has a revolving line of credit with its primary bank, originally dated October 31, 1994, that is subject to annual renewal. The agreement, most recently amended in July 2005, provides

for a borrowing base equal to the sum of the following (as defined within the agreement): 80% of qualified receivables, plus the lesser of \$1,500,000 or 50% of the lower of cost or market value of eligible raw materials and work-in-process inventory, plus the lesser of \$500,000 or 50% of the lower of cost or market value of eligible finished goods inventory, less 100% of the aggregate amount undrawn on all letters of credit and acceptances issued by the bank, to a maximum of \$3,250,000. Interest is charged at the bank's prime rate.

Contractual Future Cash Flows for Debt Service Following Post Balance Sheet Event Debt Waiver

Contractual future cash flows for debt service, including maturities of borrowings and interest payments at current rates (reflecting the mortgage as a current liability) for each of the years succeeding 31 March 2011 are shown in Note 3. Contractual future cash flows for debt service, including maturities of borrowings and interest payments at current rates (reflecting the repayment of the mortgage under its original terms following the bank waiver), for each of the years succeeding 31 March, 2011 and 2010 are as follows:

	2011 (\$000's)	2010 (\$000's)
In less than 1 year	866	88
In 1-2 years	464	83
In 2-3 years	451	-
In 3-4 years	449	-
In 4-5 years	<u>1,951</u>	<u>-</u>
	<u>4,171</u>	<u>171</u>

Financial instruments / risk management is addressed in Note 3.

17. CALLED UP SHARE CAPITAL

	Authorized			
	2011		2010	
	Number of <u>Shares</u>	<u>\$000's</u>	Number of <u>Shares</u>	<u>\$000's</u>
Outstanding shares of 1p each	<u>20,000,000</u>	<u>356</u>	<u>20,000,000</u>	<u>356</u>

	Issued and Fully Paid			
	2011		2010	
	Number of Shares	\$000's	Number of Shares	\$000's
Outstanding shares of 1p each				
At beginning of year	12,806,773	228	12,806,773	228
Changes during year	-	-	-	-
At end of year	<u>12,806,773</u>	<u>228</u>	<u>12,806,773</u>	<u>228</u>

18. SHARE BASED PAYMENTS

Share options totaling 500,000 shares were granted in the period ended 31 March 2011 under the Turbotec Products, Plc Unapproved Share Option Scheme.

Option agreements existing at 31 March 2011 to purchase ordinary shares as follows:

<u>Date Granted</u>	<u>Options Granted</u>	<u>Exercisable Between</u>	<u>Price</u>
30 June 2009	900,000	30 June 2011 and 30 June 2019	18p
30 January 2010	260,000	30 Jan 2012 and 30 Jan 2020	28.5p
15 July 2010	400,000	15 July 2012 and 15 July 2020	32.35p
19 November 2010	100,000	19 Nov 2012 and 30 Nov 2020	32.35p

On 30 June 2009 all outstanding share options granted in 2007 and 2008 were modified, with replacement options issued at an exercise price of 18p. These options are now exercisable between 30 June 2011 and 30 June 2019.

The number and weighted average exercise prices of share options are as follows:

	<u>2011</u>		<u>2010</u>	
	<u>Weighted Avg Exercise price (p)</u>	<u>Number of Options</u>	<u>Weighted Avg Exercise price (p)</u>	<u>Number of Options</u>
Outstanding at start of year	20.35	1,160,000	71.00	900,000
Granted during year	32.35	500,000	28.50	260,000
			18.00	900,000
Exercised during year		-		-
Modified during year		-		(900,000)
Lapsed during year		<u>(120,000)</u>		<u>-</u>
Outstanding at end of year	24.43	<u>1,540,000</u>	20.35	<u>1,160,000</u>
Exercisable at the year end	-	-	-	-

The option holder must hold the option for a minimum of two years before any portion of the option can be exercised. Thereafter the options may be exercised in the following tranches: 33% on or after the second anniversary of the date of grant; 33% on or after the third anniversary of the date of grant; the balance on or after the fourth anniversary of the date of grant. Upon termination of employment, the option holder has a limited time to exercise those options that were exercisable at the time of termination. The ability of an option holder to exercise the option is not restricted by any other constraint, other than them continuing to be an employee of the Group. All options were granted at the market price of a Turbotec Products, Plc ordinary share on the date of grant. All options expire ten years from date of grant.

The following information is relevant in determining the fair value of options granted during the period ended 31 March 2011:

Equity Settled

Option Pricing Model Used	Binomial lattice
Share price at date of grant	\$0.52 (based on conversion rate of \$1.62)
Contractual life	10 years
Volatility factor	43%
Expected dividend yield	3%
Risk free interest rate	3%
Expected forfeiture percentage	20%

The volatility assumption, was measured as the average of the standard deviation of expected share price, based on a statistical analysis, of daily shares prices over the most recent eight month period prior to year end and the actual variation of the share of the same period.

The Group recorded approximately \$131,000 and \$124,000, respectively for the years ended 31 March 2011 and 2010 as compensation expense for options granted under the scheme as described above.

19. COMMITMENTS AND CONTINGENCIES

The Group had no unprovided capital commitments at the end of the financial year. Annual commitments of the Group under non-cancellable operating leases are to a related party and described in Note 22.

In September 2008 the Group entered into an operating lease for a 20,000 square foot manufacturing facility in Hickory, North Carolina. The lease had an initial term of two years; the Group extended the lease through 31 December 2010. Rental charges under the lease for the initial term are \$75,000 annually. During the years ended 31 March 2011 and 2010, rent expense paid by the Group was approximately \$59,000 and \$75,000, respectively.

20. DEFERRED TAX

Details of the deferred tax liability, amounts charged to the consolidated statement of comprehensive income and amounts charged to reserves are as follows:

	2011	2010
	(\$000's)	(\$000's)
Balance at beginning of year	875	900
Provision during year	19	(25)
Balance at end of year	<u>894</u>	<u>875</u>

The components of the net deferred tax account at 31 March are:

	2011	2010
	(\$000's)	(\$000's)
Deferred tax assets:		
Uniform inventory capitalization costs	24	82
Reserves and other	87	80
Retention bonus and other accruals related to plant relocation	<u>101</u>	<u>-</u>
Total deferred assets	<u>212</u>	<u>162</u>
Deferred tax liabilities:		
Deferred product development costs	(64)	(94)
Accelerated depreciation of fixed assets	<u>(1,042)</u>	<u>(943)</u>
Total deferred liabilities	<u>(1,106)</u>	<u>(1,037)</u>
Net deferred tax liability	<u>(894)</u>	<u>(875)</u>

Tax credits consist primarily of research and development credits that may be carried forward fifteen years. Deferred tax liabilities relating to product development costs will be recognized consistent with the corresponding period over which the underlying costs are charged to income. There is an unrecognized deferred tax asset at 31 March 2011 of \$33,000 (2010: \$194,000) relating to unused tax losses in the parent Company. This asset has not been recognized as it is not clear when suitable profits will arise in the future.

21. RETIREMENT BENEFITS

The Group operates a defined contribution scheme, which covers all participating employees who are over the age of 21 years and have at least four months of service. The Group may elect to make a matching contribution equal to a percentage of employee contributions, subject to US Internal Revenue Service regulations. During the year ended 31 March, 2011 the Group made matching cash contributions to the plan aggregating \$49,000. No matching contribution was made in 2010.

22. RELATED PARTY TRANSACTIONS

The Group and Thermodynamics conduct transactions between themselves throughout the year. There were no significant amounts due from Thermodynamics during 2011. Transactions with Thermodynamics are as follows:

Office and Manufacturing Facility Rental:

The Group paid rent to Thermodynamics, or its assignee, under lease agreements for use of a 55,000 square foot office/manufacturing plant located in Windsor, Connecticut and a portion of a 28,700 square foot multi-purpose building adjacent to the plant during 2011 and 2010. The leases commenced April 1 2006 with a five-year term, and one extension option for three years, and a second extension option for two years. Rental charges paid under the leases for the years ended 31 March 2011 and 2010 were \$546,000 and \$529,000, respectively.

The leases expired at 31 March 2011, at which time the Group entered into a new lease for the 55,000 square foot facility at a rate of \$5.00 per square foot through 31 December 2011. The Group also agreed to rent a portion of the 28,700 square foot building for \$5.00 per square foot for the month of April 2011.

The total future minimum payments under the non-cancelable portion of these operating leases are as follows:

	2011 (\$000's)	2010 (\$000's)
Within 1 year	<u>274</u>	<u>529</u>

23. ULTIMATE PARENT COMPANY

During the year ended 31 March 2011 the Group's former ultimate parent undertaking, Thermodynamics, Inc (a Company incorporated in the United States) sold a portion of its holdings, reducing its share ownership from 56% to 21% of the Group.

24. LITIGATION WITH FORMER PARENT COMPANY

On 10 May 2010 the Company was notified that it was successful in its defence of the claim brought by Thermodynamics, Inc. in relation to the payment of administration fees under the Relationship Agreement entered into at the time of its admission to AIM. The Company was awarded substantial costs, including an order of payment on account of 350,000 pounds sterling by Thermodynamics, Inc. with an additional amount to be paid as determined by the court. The initial payment was received by the Company in May 2010 and included in administrative costs in the fiscal year 2011 accounts.

Thermodynamics has contested the remaining balance of the award and a formal hearing before the court has been scheduled for August 2011. As the ultimate amount to be received by the Company cannot be determined until after the hearing, no additional provision for the cost recovery has been reflected in the accounts.

COMPANY BALANCE SHEET AT 31 MARCH 2011

	Note	2011 \$'000	2010 \$'000
Fixed Assets :			
Investments	4	508	407
		<u>508</u>	<u>407</u>
Current Assets:			
Debtors	5	4,019	3,608
		<u>4,019</u>	<u>3,608</u>
Creditors			
Amounts falling due within one year	6	38	25
		<u>38</u>	<u>25</u>
Net current assets		3,981	3,583
Net assets		<u>4,489</u>	<u>3,990</u>
Capital and reserves:			
Called up share capital	7	228	228
Share premium account	7	3,440	3,440
Profit and loss account	7	491	93
Other reserve	7	330	229
Shareholders' funds - equity		<u>4,489</u>	<u>3,990</u>

The financial statements were approved and authorized for issue by the Board on 24 June 2011 and were signed on its behalf by:

RI Lieberman
Director

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared in conformity with UK Generally Accepted Accounting Principles ("UK GAAP"). The measurement basis used in the preparation of the financial statements is historical cost.

The accounts are expressed in US dollars as all transactions arising are completed in US dollars with the exception of the issue of shares which are translated at the rate ruling on the date of transaction.

The share proceeds are translated from pounds sterling into US dollars at the exchange rate in effect on the date of issue.

Taxation:

Current tax, including UK Corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is recognized in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the assessments in periods different from those in which they are recognized in the financial statements.

Deferred tax is not recognized when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date and is measured on a non-discounted basis.

Share Based Payments:

The Company has adopted Financial Reporting Standard 20 - Share based payments, in respect of the current accounting period. The financial statements reflect the fair value of providing share options and the corresponding increase in shareholders' equity.

The share option program allows employees, officers and directors to acquire shares of the Company. The fair value of options granted is recognized as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the grantee becomes unconditionally entitled to the options. The fair value of the options granted is measured using an option pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognized as an expense is adjusted to reflect the actual number of share options that vest except where variations are due only to share prices not achieving the threshold for vesting.

Share options granted to employees of the subsidiary Company are treated as a contribution and so an increase is recorded to the cost of investment and other reserves.

Fixed Asset Investments:

Fixed asset investments are shown at cost, less impairment.

2. PROFIT ATTRIBUTABLE TO TURBOTEC PRODUCTS, PLC

The profit (loss) for the year dealt with the accounts of the parent Company was \$368,000 and (\$520, 000) for the years ended 31 March, 2011 and 2010, respectively.

As permitted by section 408 of the Companies Act of 2006, no separate profit and loss account is presented for the parent Company.

3. STAFF COSTS

The Company had two employees during the year, which consisted of the executive directors. No compensation was paid to these employees by the Company as they are compensated pursuant to employment agreements with the subsidiary, Turbotec Products, Inc.

4. FIXED ASSET INVESTMENTS

Investments consist of the Company's investment in its wholly subsidiary, Turbotec Products, Inc.

	2011 (\$000's)	2010 (\$000's)
At 1 April	407	325
Share based payment costs	101	82
At 31 March	508	407

Details of the subsidiary's undertakings are included in Note 13 to the Group financial statements. Options granted for shares in Turbotec Products, Plc to employees of Turbotec Products, Inc. are treated as additions to that investment.

5. DEBTORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

	2011 (\$000's)	2010 (\$000's)
Amounts due from subsidiary undertakings	4,000	3,587
Prepayments	19	21
	4,019	3,608

6. CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

	2011 (\$000's)	2010 (\$000's)
Accrued expenses	38	25

7. CALLED UP SHARE CAPITAL

	2011		2010	
	Number of Shares	\$000's	Number of Shares	\$000's
Alloted				
Outstanding shares of 1p each	12,806,773	228	12,806,773	228

Movements in capital and reserves during the year were as follows:

	Share capital	Share Premium	Retained earnings	Other reserve	Total
	(\$000's)	(\$000's)	(\$000's)	(\$000's)	(\$000's)
Balance at 31 March 2009	228	3,440	568	147	4,383
Net income (loss) for the period	-	-	(520)	-	(520)
Share based payment expense	-	-	45	82	127
Balance at 31 March 2010	228	3,440	93	229	3,990
Net income for the period	-	-	368	-	368
Share based payment expense	-	-	30	101	131
Balance at 31 March 2011	228	3,440	491	330	4,489

Other reserves comprise the unrealized profit on the increase in investment in subsidiary with respect to share based payments relating to employees of the subsidiary undertaking.

8. SHARE BASED PAYMENTS

Share options totaling 500,000 shares were granted in the period ended 31 March 2011 under the Turbotec Products, Plc Unapproved Share Option Scheme.

Option agreements existing at 31 March 2011 to purchase ordinary shares as follows:

<u>Date Granted</u>	<u>Options Granted</u>	<u>Exercisable Between</u>	<u>Price</u>
30 June 2009	900,000	30 June 2011 and 30 June 2019	18p
30 January 2010	260,000	30 Jan 2012 and 30 Jan 2020	28.5p
15 July 2010	400,000	15 July 2012 and 15 July 2020	32.35p
19 November 2010	100,000	19 Nov 2012 and 30 Nov 2020	32.35p

On 30 June 2009 all outstanding share options granted in 2007 and 2008 were modified, with replacement options issued at an exercise price of 18p. These options are now exercisable between 30 June 2011 and 30 June 2019.

The number and weighted average exercise prices of share options are as follows:

	2011		2010	
	Weighted Avg Exercise price (p)	Number of Options	Weighted Avg Exercise price (p)	Number of Options
Outstanding at start of year	20.35	1,160,000	71.00	900,000
Granted during year	32.35	500,000	28.50	260,000
			18.00	900,000
Exercised during year		-		-
Modified during year		-		(900,000)
Lapsed during year		<u>(120,000)</u>		-
Outstanding at end of year	24.43	<u>1,540,000</u>	20.35	<u>1,160,000</u>
Exercisable at the year end	-	-	-	-

The option holder must hold the option for a minimum of two years before any portion of the option can be exercised. Thereafter the options may be exercised in the following tranches: 33% on or after the second anniversary of the date of grant; 33% on or after the third anniversary of the date of grant; the balance on or after the fourth anniversary of the date of grant. Upon termination of employment, the option holder has a limited time to exercise those options that were exercisable at the time of termination. The ability of an option holder to exercise the option is not restricted by any other constraint, other than them continuing to be an employee of the Group. All options were granted at the market price of a Turbotec Products, Plc ordinary share on the date of grant. All options expire ten years from date of grant.

The following information is relevant in determining the fair value of options granted during the period ended 31 March 2011:

Equity Settled

Option Pricing Model Used	Binomial lattice
Share price at date of grant	\$0.52 (based on conversion rate of \$1.62)
Contractual life	10 years
Volatility factor	43%
Expected dividend yield	3%
Risk free interest rate	3%
Expected forfeiture percentage	20%

The volatility assumption, was measured as the average of the standard deviation of expected share price, based on a statistical analysis, of daily shares prices over the most recent eight month period prior to year end and the actual variation of the share of the same period.

The Company recorded approximately \$30,000 and \$45,000, respectively for the years ended 31 March 2011 and 2010 as compensation expense for options granted under the scheme as described above.

Directors

Robert Lowe	Non-executive Chairman
Sunil Raina	Managing Director
Robert Lieberman	Finance Director
Joseph DeSena	Non-executive Director

Company Secretary

Capita Company Secretarial Services
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

Bankers

Citizens Bank
Hartford, Connecticut, USA

Nominated Advisor

Seymour Pierce Limited
20 Old Bailey
London EC4M 7EN

Auditors

BDO Stoy Hayward LLP
Chartered Accountants
1 Bridgewater Place
Leeds LS11 5RU

Legal Advisors

Cobbetts LLP
No 1 Whitehall Riverside
Leeds LS1 48N

Registrar and Transfer Agent

Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

Broker

Seymour Pierce Limited
20 Old Bailey
London EC4M 7EN

Registered Office

The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

Country of Incorporation and Domicile
England and Wales



Turbotec Products Plc

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