



Wednesday, June 28th, 2006

Turbotec Products Plc ('the Company') was admitted to trading on AIM on 8<sup>th</sup> May 2006. The Company owns 100% of the issued share capital of Turbotec Products Inc. ('Turbotec'). The last accounts presented in the admission document for Turbotec were for a nine-month period ended 31<sup>st</sup> December 2005. As the Company's year end is 31<sup>st</sup> March and henceforth the intention is to report twice yearly, these figures serve to bring the Company into line with its reporting objectives.

**HIGHLIGHTS** of the most recently completed fiscal year for Turbotec include:

- **Record turnover of \$18,750,000 achieved in fiscal 2006**
- **Increase in turnover of 20% over prior year**
- **Increase in total assets of \$1,034,000 over prior year (increase of 13%)**
- **Increase in net assets of 7% from fiscal 2005**
- **ISO 9001 / 2000 registration achieved**
- **Million dollar, multi-year, customer order for boiler tubing received in August 2005**
- **Debt repayment of \$2,900,000 made subsequent to year end from proceeds of Share Placing.**
- **Initial order received from significant UK swimming pool heat pump OEM**

**Sunil Raina, Managing Director, commented:**

*"The year under review has seen Turbotec continue to develop its product range and customer base. The Company was pleased to announce on 9th June 2006 that Turbotec has won a new order for the supply of heat transfer tubing to a major existing US customer. Turbotec estimates that the order will be fulfilled over the next 18 to 24 months with a total contract value of up to US\$700,000.*

*"Furthermore, the Company appointed Rob Lowe and Tom Nairn as independent Non-Executive Directors on the 19th June 2006. Both are experienced AIM company directors bringing considerable senior level management experience to the Company.*

*"The Directors look forward to the future as an AIM quoted company and plan to leverage this position as the Company sets its sights on wider market horizons.*

*“In seeking to expand into new market areas, the Company is mindful of the need to maintain and nurture existing long standing client relationships who rely upon Turbotec’s consistently high levels of design, workmanship and delivery.*

*“We look forward to another year of growth in both turnover and profitability as the Company continues to explore new markets and applications for its products.”*

**28 June 2006**

**Enquiries:**

<b>Turbotec Products Plc</b>	<b>+1 860 683 2005</b>
Sunil Raina, Managing Director	
<b>Dawnay Day Corporate Finance Ltd</b>	<b>+44 (0) 20 7509 4570</b>
David Rae	
<b>Nexus Financial Ltd</b>	<b>+44 (0) 20 7451 7050</b>
Nicholas Nelson	Nicholas.nelson@nexusgroup.co.uk

**CHAIRMAN’S STATEMENT**

We are pleased to announce that the Company was admitted to trading on AIM on 8 May 2006. The Company is the holding company of Turbotec a specialist engineering business based in Windsor, Connecticut, USA and leader in enhanced heat transfer technology. The financial information presented herein for the fiscal year ended 31 March 2006 relates only to Turbotec as the Company acquired Turbotec in April 2006, subsequent to the fiscal year end.

Turbotec’s enhanced surface tubing provides higher energy efficiencies for applications in the biomedical, aerospace, automotive, boiler, marine, ice machine, swimming pool and spa, food and beverage and residential/commercial heating and cooling industries. These tubing products support a wide array of component and heat transfer needs, including surface-enhanced tubing, single and double wall co-axial condenser and evaporator coils and heat recovery systems.

## **Trading Overview**

Net sales for the year ended 31 March 2006 increased by \$3,100,000, or 20% over the prior year. Current year sales totalled \$18,750,000 compared to \$15,651,000 recorded in 2005. During fiscal year 2006 there was a slight degradation in gross profit due to the rapid escalation in the cost of primary materials, principally copper, nickel, titanium and stainless steel, with some metal pricing increasing almost threefold over the prior two years. Turbotec regularly adjusts customer pricing of products to incorporate various portions of these increases, depending on the sensitivity of the particular market to pricing changes.

Operating expenses increased over the prior year as personnel were added in sales, marketing, customer service and engineering to support the additional sales base, identify new markets and assist in the development of future products. Turbotec plans on further additions to its marketing and engineering staff in fiscal 2007 to continue and expand its engineering research and development programs and to provide support to new products and markets.

Turbotec is sole supplier to a large number of these major customers in providing a competitive advantage and core strength. Turbotec places much emphasis on customer care, working closely with some customers in developing their products, and assists in their inventory management.

## **Market Opportunities**

Recent historic sales growth has been organic, driven by expansion in the swimming pool heat pumps, water source heat pumps, and boiler tubing markets. These markets are expected to continue to grow because of the need for housing and commercial buildings with an emphasis on energy efficiency. Turbotec is also planning to expand applications for the recently developed titanium co-axial heat exchanger product line, targeted to have a significant impact on sales within the financial year 2007. These coils are designed to meet industry demands for longer lasting products that are more durable and environmentally resistant.

In addition, both Europe and the USA are facing high energy prices thereby encouraging residential and commercial customers to convert conventional heating and cooling units, such as

central air conditioning units and boilers, to water source heat pumps. These units are more energy efficient than traditional air conditioning and heating systems. Turbotec is already experiencing an increase in sales in this area.

Turbotec secured a million dollar purchase order in August 2005, coupled to the design and development of the next advances in a customer's boiler product line. The Directors anticipate that the successful completion of the development programme could result in further orders from this customer. Turbotec is in discussions with several other original equipment manufacturers ("OEM") to incorporate, develop and manufacture heat exchanger components for swimming pool heat pumps and to incorporate its surface enhanced tubing technology in various boiler and space conditioning applications.

In March 2006 Turbotec supplied an initial order for its titanium coaxial heat exchangers product to a European OEM that forms an early conduit into Europe, consistent with plans to expand outside the core US marketplace. In addition, the Company has a concentration of customers in the eastern half of the USA and intends to increase its marketing to other US manufacturing regions. More staff will be recruited in sales, marketing and engineering to enable Turbotec to enhance its product design capability and further improve its targeting of customers.

## **Outlook**

The year under review has seen Turbotec continue to develop its product range and customer base. The Company was pleased to announce on 9th June 2006 that Turbotec has won a new order for the supply of heat transfer tubing to a major existing US customer. TPI estimates that the order will be fulfilled over the next 18 to 24 months with a total contract value of up to US\$700,000.

Furthermore, the Company appointed Rob Lowe and Tom Nairn as independent Non-Executive Directors on the 19th June 2006. Both are experienced AIM company directors bringing considerable senior level management experience to the Company.

The Directors look forward to the future as an AIM quoted company and plan to leverage this position as the Company sets its sights on wider market horizons.

In seeking to expand into new market areas, the Company is mindful of the need to maintain and nurture existing long standing client relationships who rely upon Turbotec's consistently high levels of design, workmanship and delivery.

Summary financial performance for Turbotec for the year ended March 31, 2006:

	Year ended	Year ended
	March 31 2006	March 31 2005
	(in 000's, except per share data)	
Net Turnover	\$18,750	\$16,651
Operating Income	\$1,695	\$1,763
Income Before Income Taxes	\$1,557	\$1,605
Net Income	\$1,027	\$1,098
Earnings Per Share- Basic and Diluted	\$10,270	\$10,980

We look forward to a year of growth in both turnover and profitability for the Company as Turbotec continues to explore new markets and applications for its products.

**Thomas Nairn**

**Chairman**

## FINANCIAL STATEMENTS

### UNAUDITED FINANCIAL INFORMATION ON TURBOTEC PRODUCTS INC BALANCE SHEET AT 31 MARCH 2006

	31 March 2006	31 March 2005
	\$'000	\$'000
<b>ASSETS</b>		
<b>Current assets :</b>		
Cash		-
Accounts receivable – net of allowance for doubtful debts of \$74,448 (2005: \$85,052)	2,050	1,952
Inventories (Note 4)	3,002	2,357
Prepaid expenses and other current assets	53	28
<b>Total current assets</b>	<b>5,105</b>	<b>4,337</b>
Property, plant and equipment, net (Note 5)	3,657	3,537
Other assets (Note 6)	249	103
<b>Total assets</b>	<b>9,011</b>	<b>7,977</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current liabilities:</b>		
Line of credit	2,610	2,166
Accounts payable	2,078	1,512
Accrued expenses and taxes	236	198
Current portion of long-term debt (Note 7)	276	328
Current portion of obligations under finance leases	10	30
<b>Total current liabilities</b>	<b>5,210</b>	<b>4,234</b>
<b>Long-term liabilities:</b>		
Long-term debt, less current maturities above (Note 7)	290	583
Obligations under capital leases, less current maturities above	-	9
Deferred income taxes (Note 10)	935	750
<b>Total long-term liabilities</b>	<b>1,225</b>	<b>1,342</b>
<b>Stockholders' equity:</b>		
Common Stock, \$100 per share par value; Authorized, Issued and outstanding shares – 100	10	10
Retained earnings	2,526	2,351
Other equity reserves	40	40
<b>Total stockholders' equity</b>	<b>2,576</b>	<b>2,401</b>
<b>Total liabilities and stockholders' equity</b>	<b>9,011</b>	<b>7,977</b>

**STATEMENT OF INCOME  
FOR THE YEAR ENDED 31 MARCH 2006**

	<b>31 March 2006</b>	<b>31 March 2005</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Net Sales</b>	18,750	15,651
Cost of Sales	14,543	11,667
<b>Gross profit</b>	<b>4,207</b>	<b>3,984</b>
Selling, general and administration expenses	1,762	1,595
Management fees payable to parent	750	626
<b>Income from operations</b>	<b>1,695</b>	<b>1,763</b>
Other income/(expense)		
Interest expense	(138)	(168)
Other income, net	-	10
<b>Income before provision for income tax</b>	<b>1,557</b>	<b>1,605</b>
Provision for income taxes (Note 9)	530	507
<b>Net income</b>	<b>1,027</b>	<b>1,098</b>
<b>Net income per common share (\$)</b>	<b>10,270</b>	<b>10,980</b>
<b>Weighted average number of shares - Basic and diluted</b>	<b>100</b>	<b>100</b>

**STATEMENTS OF CASH FLOWS  
FOR THE YEAR ENDED 31 MARCH 2006**

	<b>31 March 2006 \$'000</b>	<b>31 March 2005 \$'000</b>
<b>Cash flows from operating activities:</b>		
Net income	1,027	1,098
<b>Adjustments to reconcile net income to net cash provided by operating activities:</b>		
Depreciation and amortization	233	178
Share based payments	-	16
Deferred taxes	185	60
Changes in operating assets and liabilities:		
Increase in accounts receivable	(98)	(739)
Increase in inventories	(645)	(696)
(Decrease)/increase in prepaid expenses and other current assets	(25)	10
Increase in accounts payable	566	543
Increase/(decrease) in accrued expenses and taxes	38	(33)
Increase in other assets	(146)	-
Total adjustments	108	(661)
<b>Net cash (used)/received for operating activities</b>	<b>1,135</b>	<b>437</b>
<b>Cash flows from investing activities</b>		
Purchase of equipment	(353)	(395)
<b>Net cash used in investing activities</b>	<b>(353)</b>	<b>(395)</b>
<b>Cash flows from financing activities</b>		
Proceeds from short-term borrowings	444	1,045
Principal payments on long-term debt	(345)	(274)
Principal payments on capital lease obligations	(29)	(27)
Net distributions to parent	(852)	(788)
<b>Net cash used in financing activities</b>	<b>(782)</b>	<b>(44)</b>
Net decrease in cash	-	(2)
Cash at beginning of year	-	2
<b>Cash at end of year</b>	<b>-</b>	<b>-</b>

## STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

	<b>Share capital</b>	<b>Retained earnings</b>	<b>Other Equity Reserves</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Balance at 31 March 2005</b>	<b>10</b>	<b>2,351</b>	<b>40</b>	<b>2,401</b>
Net income for the year	-	1,027	-	1,027
Distributions to parent	-	(852)	-	(852)
<b>Balance at 31 March 2006</b>	<b>10</b>	<b>2,526</b>	<b>40</b>	<b>2,576</b>

## **NOTES TO THE FINANCIAL INFORMATION**

### **1. NATURE OF OPERATIONS**

Throughout the year ended 31 March 2006 Turbotec Products Inc. (“Turbotec”) was a wholly owned subsidiary of Thermodynetics Inc. (“TDYT”). This financial information reflects the operations of Turbotec and includes all necessary adjustments for a stand-alone presentation.

Turbotec is incorporated in the United States of America.

On 21 April 2006, Turbotec became a wholly owned subsidiary of Turbotec Products Plc. (‘the Company’)

Turbotec is a manufacturer of high performance, high quality heat exchangers, fabricated metal components and plumbing flexible connector products serving the heat transfer and plumbing industries. It markets its products in the United States, Canada and outside North America to customers in the space conditioning, refrigeration, biomedical, plumbing appliance, water heating, aerospace and other industries.

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### Estimates

The preparation of financial statements in conformity with International Financial Reporting Standards (‘IFRS’) requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### Basis of Preparation

The measurement has used in the preparation of the financial statements is historical cost, except for financial assets at fair value through the profit or loss, which have been measured at fair value.

### Cash Equivalents

Turbotec considers all highly liquid instruments purchased with original maturities of three months or less to be cash equivalents.

### Accounts Receivable

Trade receivables are carried at their estimated collectible amounts. Trade credit is generally extended on a short term basis; thus trade receivables do not bear interest, although finance charges may be applied to receivables that are overdue. Trade accounts receivables are periodically evaluated for collectability based on past credit history with customers and their financial condition. Allowances for potential losses are maintained and realised losses have been within management expectations.

### Inventories

Inventories are valued at the lower of cost or market value, with cost determined on a first-in, first-out basis.

### Property, Plant and Equipment

Property, plant and equipment are carried at cost. For financial and income tax reporting purposes, depreciation is computed using straight-line and accelerated methods over the estimated useful lives of the assets. Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalised, expenditures for maintenance and repairs are charged to expense as incurred.

Estimated useful lives to compute depreciation are as follows:

Office, equipment, furniture and fixtures	7 years
Machinery and equipment	5 – 20 years

### Intangible Assets

Goodwill and intangible assets deemed to have indefinite lives are not subject to amortisation. All other intangible assets, classified as definite-lived assets, are amortised over their estimated future lives.

### Revenue Recognition

Revenues are recognised where 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.

### Pre-production Design and Development Costs

Pre-production design and development costs related to specific new products are deferred and amortized over the estimated useful lives of the products. General research and development costs are expensed as incurred.

### Shipping and Handling Costs

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

### Income Taxes

During the three period ended 31 December 2005 Turbotec continued to file consolidated federal and combined US state corporate income tax returns with its parent, TDYT. This financial information has been prepared on the basis of separate company reporting. The presentation does not therefore necessarily reflect income tax amounts paid or payable by Turbotec during the

period. Tax credits are recorded as a reduction of income taxes in the year realised. Turbotec recognises deferred tax liabilities and assets in relation to the expected future tax consequences of temporary differences between the tax return and financial statements reporting bases of certain assets and liabilities.

#### Share based payments for services

Share based payment transactions for services settled by transfers of equity instruments of the entity's parent, TDYT, are charged to expenditure at the fair value of such share based payments for services.

### **3. FINANCIAL INSTRUMENTS**

#### Concentrations of Credit Risk

Turbotec's financial instruments that are exposed to concentrations of credit risk consist primarily of cash, trade accounts receivable and other assets:

- Cash – Turbotec does not maintain cash balances as part of its line of credit utilisation.
- Trade accounts receivable – Turbotec's customers who are primarily original equipment manufacturers, serve a wide variety of markets worldwide.

#### Fair Value of Financial Instruments

The carrying amounts of Turbotec's financial instruments approximate their fair value as outlined below:

- Cash, trade receivables, trade payables – The carrying amounts approximate their fair value because of the short maturity of those instruments.
- Line of credit – The carrying amount approximates fair value as the line of credit has a variable interest rate which fluctuates with the market.

- Long-term debt and capital leases – The carrying amount approximates fair value as the interest rates on the various notes/leases approximate Turbotec’s estimated incremental borrowing rate.

Turbotec’s financial instruments are held for other than trading purposes.

#### 4. INVENTORIES

	<b>31 March</b>	<b>31 March</b>
	<b>2006</b>	<b>2005</b>
	<b>\$’000</b>	<b>\$’000</b>
Finished goods	1,606	1,334
Raw materials	1,329	920
Work-in progress	102	158
	_____	_____
	3,037	2,412
Less: Reserves	35	55
	_____	_____
	3,002	2,357
	_____	_____

#### 5. NET PROPERTY AND EQUIPMENT

Property and equipment are summarised by major classification as follows at 31 March:

	<b>31 March</b>	<b>31 March</b>
	<b>2006</b>	<b>2005</b>
	<b>\$’000</b>	<b>\$’000</b>
Machinery and equipment	6,910	6,585
Furniture and equipment	1,083	1,059
Vehicles	71	71
Leasehold improvements	66	62
	_____	_____

	8,130	7,777
Less accumulated depreciation and amortisation	4,473	4,240
	<hr/>	<hr/>
	3,657	3,537
	<hr/>	<hr/>

## 6. OTHER ASSETS

Other assets consist of the following:

	<b>31 March</b>	<b>31 March</b>
	<b>2006</b>	<b>2005</b>
	<b>\$'000</b>	<b>\$'000</b>
Intangible assets (net of prior amortisation of \$410,000)	94	94
Other	9	9
Development costs	146	-
	<hr/>	<hr/>
	249	103
	<hr/>	<hr/>

## 7. NOTES PAYABLE AND LONG-TERM DEBT

At 31 March 2006, Turbotec had various equipment loans which require the outstanding balance to be paid over sixty months with interest charged at the bank's prime rate, currently 7.25%).

On 23 January 2002, Turbotec entered into a secured term loan (Equipment Loan) which is payable in sixty monthly principal instalments of \$11,667 plus interest at the bank's prime rate of 7.25% (5.25% at 31 December 2004). The Equipment Loan is secured by substantially all the assets of Turbotec.

In addition Turbotec must comply with certain financial and non-financial covenants (note 7), non-compliance 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. This bank debt was also secured and cross-collateralised with debt on TDYT's books and debt of those of another subsidiary of TDYT.

Turbotec was in default of certain covenants on its bank debt, though cross collateralisation and guarantees of debt of TDYT and debt of a subsidiary of TDYT. As a result of these defaults, the bank had rights available including but not limited to increases to the interest rates charged and the ability to call the debts on demand. The bank and Turbotec entered into an agreement in July 2005 under which all defaults were waived.

Debt is summarised as follows at 31 December:

	<b>2006</b>	<b>2005</b>
	<b>\$'000</b>	<b>\$'000</b>
Equipment loan and line of credit	566	911
Less: current maturities	(276)	(328)
	<u>290</u>	<u>583</u>

Maturities of notes payable and long-term debt for each of the years succeeding 31 March 2006, are as follows:

<b>Year Ending</b>	<b>\$'000</b>
2007	276
2008	120
2009	111
2010	<u>60</u>
	567

## 8. LEASES

On 4 July 2001, Turbotec entered into a capital lease for certain computer equipment. The lease calls for 60 monthly payments of \$2,689 including principal and interest at 9.6% per annum.

Computer equipment under capital leases included in net property, plant and equipment is as follows at 31 March:

	<b>2006</b>	<b>2005</b>
	<b>\$'000</b>	<b>\$'000</b>
Computer equipment	128	128
Less: accumulated amortisation	(119)	(94)
	<u>9</u>	<u>34</u>

Future minimum rental payments required under the above lease as of 31 March 2006 is \$9,769 for 2007.

## 9. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to selling, general and administrative expenses amounted to \$69,152 and \$190,157 for the years 31 March 2006 and 2005, respectively.

## 10. INCOME TAXES

	<b>31 March</b>	<b>31 March</b>		
	<b>2006</b>	<b>2005</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Current</b>				
State	70	20		

Federal	275	427
	<hr/>	<hr/>
	345	447
Deferred	185	60
	<hr/>	<hr/>
	530	507
	<hr/>	<hr/>

The components of the net deferred tax accounts as of 31 March, were as follows:

	2006	2005
	\$'000	\$'000
<b>Deferred tax assets:</b>		
Investment tax credits	144	144
Uniform capitalisation	4	71
Research and development credit	(40)	10
Other	40	45
	<hr/>	<hr/>
Total deferred tax assets	148	270
<b>Deferred tax liabilities</b>		
Property and equipment, net	(1,083)	(1,020)
	<hr/>	<hr/>
<b>Net deferred tax asset/(liability)</b>	<b>(935)</b>	<b>(750)</b>
	<hr/>	<hr/>

Differences between financial reporting and tax reporting relate primarily to inventory reserves and allowances for doubtful accounts recorded for financial reporting purposes, inventory capitalisation adjustments recorded for tax reporting purposes. Investment tax credits are accounted for using the flow-through method. Unused tax credit carryovers totaled

approximately \$154,000 as of 31 March 2006 (\$154,000 as of 31 March 2005) and expire in years through 31 March 2009.

In the three years ended 31 March 2006, Turbotec filed consolidated US federal and combined state corporate income tax returns with TDYT. The income tax provisions and liabilities reflected in this financial information have been re-stated to reflect separate company reporting presentations only and do not represent amounts paid or payable by Turbotec for the periods indicated.

## **11. PENSIONS – 401(K) PLAN**

During the period ended 31 March 2006 Turbotec participated in a defined contribution 401(k) pension plan, operated by TDYT, which covers all participating employees who are over the age of 21 years and have at least one year of service. Turbotec may elect to make a matching contribution equal to a percentage of employee contributions, subject to US IRS regulations. Matching contributions are made in the form of common stock in TDYT subsequent to the close of the fiscal year.

## **12. EMPLOYMENT CONTRACTS**

Turbotec has employment agreements with two of its employees which currently renew on a year to year basis. These agreements provide for combined annual base salaries of \$215,000 and \$295,000 for the fiscal years ended 31 March 2005 and 2006, respectively. The employees may also earn a discretionary bonus based on criteria established by the Board of Directors.

In the event of termination, the two agreements provide for the continuation of compensation and benefits. However, in the event of such termination, the employees in question may not compete with Turbotec within the United States for a period of two years after termination and are subject to the terms and conditions of confidentiality agreements.

## **13. RELATED PARTY TRANSACTIONS**

Turbotec and its parent, TDYT, conducted transactions between themselves throughout the period. Those transactions are as follows:

#### Management Fee

Turbotec pays TDYT a management fee based on 4% of Turbotec's sales in the year. This fee, which totalled \$626,000 and \$750,012 for the two years ended 31 March 2006, is for executive management and other corporate services provided by TDYT.

#### Office and Manufacturing Rental

Turbotec pays rent to TDYT under a month-to-month agreement for use of a 55,000 square foot office/manufacturing plant located in Windsor, Connecticut and a portion of a multi-purpose building adjacent to the plant. Rental charges for the year ended 31 March 2006 was \$288,000 (2005: \$261,000).

#### Commitments and Contingencies

Turbotec has guaranteed certain debt of its parent TDYT and other subsidiary of TDYT and has provided cross collateralisation and security of such debt. The total outstanding under these arrangements at 31 March 2006 was \$3,015,000 (2005: \$5,121,000).

### **14. CASH FLOW INFORMATION**

Cash paid for interest was \$135,735 for the year ended 31 March 2006 (2005: \$157,520).

### **15. SUBSEQUENT EVENTS**

Between 8 April 2006 and 21 April 2006 Turbotec Products Plc issued 10,009,490 Ordinary shares of 1p each to TDYT as consideration for the purchase of the entire share capital of Turbotec.

On 8 May 2006 the shares of Turbotec Products Plc were admitted to trading on the AIM market of the London Stock Exchange.

A Relationship Agreement between TDYT and Turbotec has been entered into covering annual administration fees; restrictions on related party transactions; restrictions on appointments to the Board and mutual confidentiality and reporting undertakings. The Relationship Agreement also contains non-competition undertakings from both Turbotec and its Board.

As part of the transaction a reorganisation of senior management and directors has occurred, whereby TDYT, Turbotec Products Inc. and Turbotec established independent officers and directors. Accordingly, certain officers and directors of TDYT and of Turbotec were reassigned and/or appointed to new positions.

#### Loan Modifications

Turbotec (and TDYT and certain of its subsidiaries) and their bank, entered into certain loan modification agreements to provide for the separation of the credit facilities between Turbotec and TDYT and the release of certain cross collateral guarantees. Principally, Turbotec's remaining indebtedness with its principal bank are the revolving line of credit and an equipment term note.

#### Commercial Leases

TDYT and Turbotec entered into formal real estate leases with effect 8 May 2006, for approximately 54,500 square feet at 651 Day Hill Road, Windsor, CT, and approximately 17,000 square feet at 50 Baker Hollow Road, Windsor, CT. The leases commenced on 1 April 2006, with a five year term, and one extension option for three years, and a second extension option for two years. Rent charges with respect to the 651 Day Hill Road property are equal to seven dollars per square foot in years one and two, escalating annually thereafter through each of the extension terms; monthly fixed rent in year one equals \$31,792, escalating to \$42,010 monthly in year ten, assuming both lease extensions are exercised. Rent charges with respect to the 50 Baker Hollow Road property are equal to \$5.50 per square foot in year one, escalating annually

thereafter through each of the extension terms; monthly fixed rent in year one equals \$7,792, escalating to \$10,979 monthly in year ten, assuming both lease extensions are exercised.

## **16. NATURE OF FINANCIAL INFORMATION**

The unaudited financial information for the year ended 31 March 2006 has been prepared in accordance with International Financial Reporting Standards.

The unaudited financial information for the year ended 31 March 2006 was approved by the Board of the Company on 27 June 2006

The accounting policies are those set out in the AIM admission document of Turbotec Products Plc dated 28 April 2006.

The financial information presented for Turbotec for the year ended 31 March 2006 does not constitute statutory accounts within the meaning of the Companies Act 1985. Turbotec was a wholly owned subsidiary of TDYT during the year ended 31 March 2006 and did not prepare separate audited accounts for this period. This financial information for Turbotec has been extracted from the consolidated financial statements of TDYT for the year ended 31 March 2006 solely for the purpose of this statement.

The reports of the auditors on the TDYT financial statements for each of the two years ended 31 March 2006 were unqualified.

The financial results of Turbotec from 1 April 2006 will be reported within the consolidated financial statements of Turbotec Products for the period ended 31 March 2007.

Copies of this statement will be sent to shareholders in due course. Further copies will be available, free of charge, from the offices of the Company's nominated adviser, Dawnay, Day Corporate Finance Limited, 17 Grosvenor Gardens, London, SW1W 0BD.

## **ABOUT TURBOTEC**

Turbotec is the holding company for Turbotec Products Inc, (“TPI”) an established, profitable, specialist engineering business, based in Windsor, Connecticut, USA.

TPI’s business is the design, manufacture and marketing of technologically advanced heat exchangers and value added metal tubing, components and systems for a range of industries including the heating, air conditioning and refrigeration industries.

Through its proprietary manufacturing processes TPI is able to convert mill purchased metal tubing into special purpose spirally fluted (twisted), grooved and coiled tubes and components that are sold to its customers for use in their end products.