



November 7, 2006

Turbotec Products Plc ('the Company'), Turbotec Products Plc ("Turbotec"), a leader in enhanced heat transfer technology, which was admitted to AIM last May announces its results for the 6 months to 30 September 2006.

Summary financials

(in \$000's, except per share data)	6 months ended	6 months ended	% Change
	30 Sept 2006	30 Sept 2005	Y-o-Y
Net Turnover	\$ 11,545	\$ 9,065	27%
Operating Income	\$ 1,149	\$ 1,259	(9%)
Income Before Income Taxes	\$ 758	\$ 782	(3%)
Net Income	\$ 538	\$ 516	4%
EPS - Basic and Diluted	4.3 cents	5 cents	-
Net debt	\$ 486	\$ 3,464	(84%)

Operating HIGHLIGHTS

- Underlying sales growing at double digit rates
- Water Source Heat Pump market in US has shown overall growth in units
- Turbotec Tru-Twist™ titanium tubes well on the way to becoming industry standard in Swimming Pool Heat Pump Applications

Sunil Raina, Managing Director, commented:

“The maintenance of operating efficiencies remains high on our agenda and we are pleased that in respect of costs and customer fulfillment, we are ahead of target. Our business development activities having been strengthened during the period, are resulting in a greater level of customer enquiries.

“The unfortunate effect of high raw materials prices is being felt throughout the industry which, as we have announced, will impact the full year results. We have taken positive actions to address this situation and are encouraged by the continued growth in our core markets and expansion of our customer base.”

7 November 2006

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CHAIRMAN'S STATEMENT

It is pleasing to report that this six-month period has seen a continuation in the growth of the Company with increasing order flow from existing customers and a widening of the customer base. Turbotec's market leading product range has served to diversify the Company into new industrial areas.

The hardening of metals prices in the latter half of the period, whilst not fully impacting these results, will certainly affect our results for the full year. Consequently on the 24th October 2006 the Directors took the precaution of advising the market that results for the full year are expected to fall below market expectations.

Active steps have been taken to mitigate these higher raw materials prices, not least through an increase in end product prices, but also through a concerted drive to increase sales in higher margin areas. The Directors believe that the result of this action will be to preserve Turbotec's competitive position and see an improvement in gross profits in future periods.

Trading Overview

The Company saw an increase in sales for the six months ended 30 September 2006, partly due to the raw material price increases, but also follows an expansion of the product range and augmented marketing drive which saw our production volumes reach record levels. Consequently, turnover increased to \$11.5 million (H1 2005: \$9.06 million) an increase of 27%, with net income of \$0.54 million just ahead of the \$0.52 million of last year.

The appointment of a dedicated product manager in November will lead to widening interest from existing and new customers, for both traditional and recent Turbotec products. The Company's presence has been strengthened through regular attendance at trade shows and a range of exciting new products, such as the titanium co-axial heat exchangers, is attracting considerable interest within the trade. In March the Company won an order for the titanium co-axial heat exchanger from a European equipment manufacturer, that has recently been repeated for larger quantities, which the directors believe will act as a springboard into Europe.

The Directors believe that Turbotec leads the field in enhanced tubing. It is this long standing ability, based upon proprietary tube twisting technology, which underpins the Company's market position and provides the platform for an ever expanding range of heat transfer products. Indeed, with the ability to form tubing out of advanced metals such as titanium, the Company's recognition amongst high efficiency boiler manufacturers has grown and in June the Company announced that an existing customer had placed an order worth up to \$0.7 million.

Business Summary

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.

Outlook

The improvement of operating efficiencies remains high on our agenda, with the new extended six sigma training of our colleagues, and we are pleased that in respect of costs and customer fulfillment, we are ahead of target. Our business development activities, having been strengthened during the period, are resulting in a greater level of customer enquiries than at any time in Turbotec's history.

The affect of high raw materials prices, is not confined to Turbotec alone but is being felt throughout the industry. We see an opportunity in turning this to our future advantage, as customers search for more energy efficient products, by playing to those strengths, which now position us as a market leader: unique manufacturing technology, reputation and diversity of customers.

Thomas Nairn

Chairman

FINANCIAL STATEMENTS
UNAUDITED FINANCIAL INFORMATION ON TURBOTEC PRODUCTS INC
BALANCE SHEET AT 30 SEPTEMBER 2006 AND 30 SEPTEMBER 2005

UNAUDITED UNAUDITED

PRO FORMA

	30	30
	SEPTEMBER	SEPTEMBER
	2006	2005
	\$'000	\$'000
ASSETS		
Current assets:		
Cash	2	2
Accounts receivable – net of allowance for doubtful debts of \$120,000 (2005: \$85,000)	2,501	2,112
Inventories (Note 5)	3,653	2,596
Prepaid expenses and other current assets	230	78
Total current assets	6,386	4,788
Property, plant and equipment, net (Note 6)	3,787	3,553
Other assets (Note 7)	306	103
Total assets	10,479	8,444
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Line of credit	197	2,700
Accounts payable	2,244	1,675
Accrued expenses and taxes	259	116
Current portion of long-term debt (Note 9)	123	328
Current portion of obligations under finance leases	-	25
Total current liabilities	2,823	4,844
Long-term liabilities:		
Long-term debt, less current maturities above (Note 9)	168	413
Obligations under capital leases, less current maturities	-	-
Deferred income taxes (Note 13)	982	839
Total long-term liabilities	1,150	1,252
Stockholders' equity:		
Common Stock, \$100 per share par value; Authorized, Issued and outstanding shares – 100	236	-
Share Premium	3,373	-
Merger Reserve	(108)	10
Retained earnings	3,005	2,338
Total stockholders' equity	6,506	2,348
Total liabilities and stockholders' equity	10,479	8,444

**STATEMENT OF INCOME
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2006 AND 30 SEPTEMBER 2005**

	UNAUDITED	UNAUDITED PRO FORMA
	30 SEPTEMBER 2006 \$'000	30 SEPTEMBER 2005 \$'000
Net Sales	11,545	9,065
Cost of Sales	(9,283)	(6,897)
Gross profit	<u>2,262</u>	<u>2,168</u>
Selling, general and administration expenses	(1,113)	(909)
Income from operations	<u>1,149</u>	<u>1,259</u>
Other income/(expense)		
Interest expense	(55)	(115)
Other income, net	(48)	-
Income before administrative fees	<u>1,046</u>	<u>1,144</u>
Administrative fee expense (Note 16)	(288)	(362)
Income before provision for income tax	<u>758</u>	<u>782</u>
Provision for income taxes (Note 13)	(220)	(266)
Net income	<u>538</u>	<u>516</u>
Net income per common share (\$)	<u>0.04</u>	<u>0.05</u>
Weighted average number of shares - Basic and diluted	<u>11,858,347</u>	<u>10,009,590</u>

**STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2006 AND 30 SEPTEMBER 2005**

	UNAUDITED	UNAUDITED PRO FORMA
	30 SEPTEMBER 2006 \$'000	30 SEPTEMBER 2005 \$'000
Cash flows from operating activities:		
Net income	538	516
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	126	117
Share based payments	-	-
Deferred taxes	47	89
Changes in operating assets and liabilities:		
Increase in accounts receivable	(451)	(161)
Increase in inventories	(651)	(238)
(Decrease)/increase in prepaid expenses and other current assets	(174)	(50)
Increase in accounts payable	166	163
Increase/(decrease) in accrued expenses and taxes	23	(82)
Increase in deferred assets	(60)	-
Total adjustments	(974)	(162)
Net cash (used)/received for operating activities	(436)	354
Cash flows from investing activities		
Purchase of equipment	(256)	(133)
Net cash used in investing activities	(256)	(133)
Cash flows from financing activities		
Proceeds from short-term borrowings	287	534
Principal payments on long-term debt	(85)	(170)
Principal payments on capital lease obligations	-	(14)
Repayment of debt	(2,900)	-
Net distributions to Thermodynamics	(98)	(569)
Proceeds from stock offering	3,490	-
Net cash used in financing activities	694	(219)
Net change in cash	2	2
Cash at beginning of year	-	-
Cash at end of year	2	2

STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (UNAUDITED)

	Share capital	Share Premium	Retained earnings	Merger Reserve	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 31 March 2006	-	-	2,566	10	2,576
Restructuring of group	10	-	-	(10)	-
Increase in capital	226	3,373	-	(108)	3,491
Net income for the period	-	-	538	-	538
Distributions to ultimate parent company(Thermodynamics) prior to placing	-	-	(99)	-	(99)
Balance at 30 September 2006	236	3,373	3,005	(108)	6,506
Proforma					
Balance at 31 March 2005	-	-	2,391	10	2,401
Net income for the period	-	-	516	-	516
Distributions to ultimate parent company (Thermodynamics) prior to placing	-	-	(569)	-	(569)
Balance at 30 September 2005	-	-	2,338	10	2,348

NOTES TO THE FINANCIAL INFORMATION

1. NATURE OF OPERATIONS

Turbotec Products Plc (the Company or Plc) was incorporated as a public company in the United Kingdom on April 11, 2006 and is the parent company of a wholly owned subsidiary, Turbotec Products, Inc (Turbotec) (together 'the Group'). Pursuant to the Company's Placing and Admission to AIM that completed in May 2006, Thermodynamics, Inc. (Thermodynamics) owns 56.32% of Turbotec Products Plc, with the balance owned by institutional investors. These financial statements reflect the consolidated operations of the Company and its sole wholly owned subsidiary and include all necessary adjustments for a consolidated presentation as explained in note 3 below.

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. Turbotec markets its products in the United States, Canada and abroad to customers in the space conditioning, refrigeration, biomedical, plumbing, appliance, water heating, aerospace and other industries.

The accounts of Thermodynamics are prepared in dollars, which is the functional currency. Correspondingly dollars are used in the accounts of the Company and Turbotec.

2. PLACING AND ADMISSION TO AIM

On May 8, 2006, Thermodynamics completed the sale of a minority interest of the Company, whereby approximately 43.68% of the Company's shares was sold or issued to institutional investors pursuant to a placing on the AIM Market of the London Stock Exchange. Pursuant to the placing, Thermodynamics sold and the Company issued 2,797,183 shares each (a total of 5,594,366 ordinary shares in the Company) at the price of 85 pence per ordinary share, resulting in gross proceeds of £4,755,211. Under the terms of the placing the two companies shared equally in the net proceeds after fees and expenses. From the net proceeds received, an aggregate of approximately \$2,900,000 was used by the Company to repay term and revolving bank debt in Turbotec.

Pursuant to the placing documents, all shares were sold to non United States investors. In addition, under a Relationship Agreement, Thermodynamics has agreed that for twenty-four months it will not dispose of any additional ordinary shares of the Plc except through or with the consent of Plc's nominated advisor to the AIM Market. Thermodynamics and its Board of Directors (the "Board") have further undertaken, inter alia, not to exercise its voting rights, except with the consent of the nominated advisor and Plc (on the authority of its non-executive directors) in favor of any resolution to give the Board authority to allot shares in the Plc, or to remove or reduce any pre-emption rights that shareholders may have.

The Relationship Agreement contains further provisions regarding an annual administration fee; restrictions on related party transactions; restrictions on appointments to the Plc's board and mutual confidentiality and reporting undertakings; non-competition undertakings from both Thermodynamics and its Board and provisions restricting the ability of Thermodynamics to dispose of its interest in the ordinary shares into the United States in a manner that would require registration of any such disposition under the US Securities Acts.

As part of the transaction, a reorganization of senior management and directors of Thermodynamics and senior management and directors of its subsidiaries was effected, whereby Thermodynamics and the Plc established independent officers and directors. Accordingly, certain officers and directors of Thermodynamics and of Turbotec Products, Inc. were reassigned and/or appointed to new positions, with the principal changes being the establishment of new directors of the Plc and new officers and directors of Turbotec where certain individuals moved from their prior roles.

Loan Modifications:

Thermodynamics, certain of its subsidiaries, and their bank, entered into certain loan modification agreements to provide for the separation of the credit facilities between Thermodynamics and Turbotec, and the release of cross collateral guarantees (see Notes 8 and 9).

Commercial Leases:

Thermodynamics and Turbotec entered into formal real estate leases effective May 8, 2006, for approximately 54,500 square feet at 651 Day Hill Road and approximately 17,000 square feet at 50 Baker Hollow Road, both in Windsor, Connecticut, USA (see Note 16).

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

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiary. The results of subsidiaries acquired or disposed of during the year are dealt with in the consolidated income statement from or up to their effective dates of acquisition or disposal respectively.

A share for share exchange agreement between the Company, Thermodynetics and Turbotec took place on 8 April, 2006, which was a group reorganization. As a result the financial statements of the Company and Turbotec have been consolidated on a merger basis, whereby the results and cash flows of the relevant entities are combined from the beginning of the year in which the merger occurred, and their assets and liabilities combined at the amounts at which they were previously recorded. Accordingly, comparative consolidated financial information for the Company is pro forma.

Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when 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. In assessing control, potential voting rights that presently are exercisable or exercisable on conversion are taken into account.

Cash Equivalents

The Company considers all highly liquid instruments purchased with original maturities of three months or less to be cash equivalents. The Company had no cash equivalents at September 30, 2006.

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 past due. Trade accounts receivable are periodically evaluated for collectibility based on past credit history with customers and/or their financial condition. Allowances for potential losses are maintained and realized losses have been within management's expectations.

Inventories:

Inventories are valued at the lower of cost or market, with cost determined on a standard cost basis which approximates 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 capitalized; expenditures for maintenance and repairs are charged to expense as incurred.

Estimated useful lives to compute depreciation are:

Office equipment, furniture and fixtures	7 year
Machinery and equipment	5 - 20 years

Intangible Assets:

Goodwill and intangible assets deemed to have indefinite lives are no longer subject to amortization. All other intangible assets, classified as definite-lived assets, are amortized over their estimated future lives.

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.

Pre-production design and development costs:

Pre-production design and development costs related to specific new products are deferred and amortized over the 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:

Tax credits are recorded as a reduction of income taxes in the year realized. The Group utilizes the asset and liability method of accounting for deferred income taxes which requires the recognition of deferred tax liabilities and assets for the expected future tax consequences of temporary differences between the tax return and financial statement reporting bases of certain assets and liabilities.

4. FINANCIAL INSTRUMENTS

Concentrations of Credit Risk:

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

- Cash – Cash and cash equivalents include cash on hand, cash on deposit, money market funds, temporary investment accounts used as cash, checking sweep accounts, and any highly liquid debt instruments purchased with a maturity of three months or less. At various times during the year, cash balances exceeded federally insured limits.

- Trade accounts receivable – The Company's customers, who are primarily original equipment manufacturers, serve a wide variety of markets worldwide.

Fair Value of Financial Instruments:

The carrying amounts of 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 the Company's estimated incremental borrowing rate.
- Financial instruments are held for other than trading purposes.

5. INVENTORIES

The major classes of inventories consist of the following at September 30 2005 and 2006 and at 31 March, 2006 (\$000's):

	30 September <u>2006</u>	30 September <u>2005</u>	31 March <u>2006</u>
Raw materials	\$1,912	\$ 1,491	\$ 1,329
Work-in process	131	138	102
Finished goods	1,645	1,022	1,606
	3,688	2,651	3,037
Less reserves	35	55	35
	\$ 3,653	\$ 2,596	\$ 3,002

6. NET PROPERTY AND EQUIPMENT

Property and equipment, (summarized by major classification) at September 30, 2005 and 2006 and at March 31, 2006 are (\$000's):

	30 September	30 September	31 March
	<u>2006</u>	<u>2005</u>	<u>2006</u>
Machinery and equipment	\$ 7,109	\$ 6,706	\$ 6,910
Furniture and equipment	1,114	1,071	1,083
Vehicles	82	71	71
Leasehold Improvements	80	62	66
	8,385	7,910	8,130
Less accumulated depreciation and amortization	4,598	4,357	4,240
	<u>\$ 3,787</u>	<u>\$ 3,553</u>	<u>\$ 3,537</u>

7. OTHER ASSETS

Other assets consist of the following at September 30, 2005 and 2006 and at 31 March, 2006 (\$'000):

	30 September	30 September	31 March
	<u>2006</u>	<u>2005</u>	<u>2006</u>
Intangible assets, (net of prior amortization of \$411,000; 30 September 2005: \$411,000; 31 March 2006: \$411,000)	\$ 94	\$ 94	\$ 94
Deferred product development costs	206	0	146
Other	6	9	9
	<u>\$ 306</u>	<u>\$ 103</u>	<u>\$ 249</u>

8. LINE OF CREDIT

The Group has a revolving line of credit (LOC) that provides for a borrowing base equal to the sum of the following (as defined within the agreement): 80% of unpaid qualified receivables, the lesser of \$1,500,000 or 50% of the lower of cost or market value of eligible raw 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 of then 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 (8.25%, and 6.75% at September 30, 2006 and 2005, respectively). The LOC contains various financial and non-financial covenants. At September 30, 2006, the Group had additional borrowing availability of approximately \$3,053,000 under this facility.

9. NOTES PAYABLE AND LONG-TERM DEBT

At September 30, 2006, the Group had two equipment loans with sixty month terms maturing in 2009 and 2010. Interest is charged at the bank's prime rate (8.25%, and 6.75% at September 30, 2006 and 2005 respectively). Monthly principal installments for each loan are \$5,000 plus interest on the outstanding balance of the loan. The equipment loans are secured by substantially all of 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.

Debt is summarized as follows at September 30, 2005 and 2006 and at 31 March 2006 (\$000's):

	30 September <u>2006</u>	30 September <u>2005</u>	31 March <u>2006</u>
Equipment loans and line of credit	\$ 291	\$ 741	\$ 566
Less: current maturities	123	328	(276)
	\$ 168	\$ 413	\$ 290

Maturities of notes payable and long-term debt for each of the years succeeding September 30, 2006 are as follows (\$000's):

Year ending September 30,	
2007	\$ 123
2008	93
2009	60
2010	15
	\$ 291

10. LEASES

On July 24, 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 a capital lease included in net property, plant and equipment at September 30, 2005 and 2006 and at 31 March, 2006 (\$000's):

	30 September 2006	30 September 2005	31 March 2006
Computer equipment	\$ 128	\$ 128	\$ 128
Less accumulated amortization	(128)	(106)	(94)
	\$ 0	\$ 22	\$ 9

The final payment under this capital lease was made in the period ended September 30, 2006, upon which the equipment became the property of Turbotec pursuant to the terms of the lease agreement.

11. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to selling, general and administrative expenses amounted to \$74,000 and \$96,000 for the three months ended September 30, 2006 and 2005 respectively, and \$156,000 and \$205,000 for the six months ended September 30, 2006 and 2005 respectively.

12. ADVERTISING

The Group expenses the production costs of advertising as the costs are incurred. Advertising expense charged to selling, general and administrative expenses totaled \$17,000 and \$11,000 for the three months ended September 30, 2006 and 2005 respectively and \$39,000 and \$23,000 for the six months ended September 30, 2006 and 2005 respectively.

13. INCOME TAXES

The provision for income taxes for each of the periods ending 30 September 2005 and 2006, and for the years ended 31 March consists of (\$000's):

	Three Months Ended		Six Months Ended		Year Months Ended	
	30 September		30 September		31 March	
	2006	2005	2006	2005	2006	2005
Current:						
State	\$ 4	\$ 5	\$ 9	\$ 10	\$ 70	20
Federal	69	99	163	167	275	427
	73	104	172	177	345	447
Deferred	25	49	48	89	185	60
	\$ 98	\$ 153	\$ 220	\$ 266	\$ 530	\$ 507

The components of the net deferred tax accounts at 30 September 2005 and 2006 and 31 March 2006 are (\$000's):

	30 September		31 March
	2006	2005	2006
Deferred tax assets:			
Investment tax credits	\$ 0	\$ 144	\$ 144
Uniform capitalization	9	15	4
Research and development credit	120	10	(40)
Other	65	55	40
Total deferred assets	194	224	148
Deferred tax liabilities:			
Deferred product development costs	(74)	0	0
Property and equipment, net	(1,102)	(1,063)	(1,083)
Total deferred liabilities	(1,176)	(1,063)	(1,083)
	\$ (982)	\$ (839)	\$ (935)

Differences between financial reporting and tax reporting relate primarily to inventory reserves and allowances for doubtful accounts recorded for financial reporting purposes, inventory capitalization adjustments recorded for tax reporting purposes, and differences between depreciation for financial reporting and tax reporting purposes.

14. 401(k) PLAN

The Company (through Thermodynamics) has a defined contribution 401(k) plan, which covers all participating employees who are over the age of 21 years and have at least four months of service. Thermodynamics may elect to make a matching contribution equal to a percentage of employee contributions, subject to IRS regulations. In past years, matching contributions have been made in the form of common stock of Thermodynamics, subsequent to the close of the Company's fiscal year.

15. 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 \$360,000 and \$295,000 for the fiscal years ended March 31, 2007 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, the employees 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.

16. RELATED PARTY TRANSACTIONS

The Company and Thermodynamics conduct transactions between themselves throughout the year. Those transactions are as follows:

Administrative Fee:

Effective with the completion of the placing and admission to AIM, the Company was obligated to pay Thermodynamics an annual administrative fee of \$460,000, payable monthly in arrears. This fee may be increased each fiscal year to reflect inflationary cost increases as documented in published US government tables. Prior to the placing, Turbotec paid Thermodynamics a management fee of 4% of net sales. Fees paid to Thermodynamics approximated \$115,000 and \$181,000 for the three months ended September 30, 2006 and 2005, respectively, and \$288,000 and \$362,000 for the six months ended September 30, 2006 and 2005, respectively.

Office and Manufacturing Facility Rental:

Turbotec pays rent to Thermodynamics 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 (see Note 2). 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. 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. Rental charges for the three months ended September 30, 2006 and 2005 were \$119,000 and \$72,000 respectively. Rental charges for the six months ended September 30, 2006 and 2005 were \$217,000 and \$144,000 respectively.

Future annual minimum payments under the non-cancelable portion of these operating leases are as follows (\$000's):

Year ending September 30,	
2007	\$ 477
2008	495
2009	520
2010	538
2011 and thereafter	273
	\$ 2,303

17. CASH FLOW INFORMATION

Cash paid for interest was \$55,000 and \$115,000 for the six months ended September 30, 2006 and 2005, respectively.

18. BASIC EARNINGS PER SHARE AND DILUTED EARNINGS PER SHARE

The calculation of basic earnings per share is based on the following:

	Three Months Ended 30 September		Six Months Ended 30 September		Year ended 31 March
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>
		(proforma)		(proforma)	(proforma)
	\$ '000	\$ '000	\$ '000	\$ '000	\$'000
Profit after taxation	201	295	538	516	1,027
Weighted average number of shares	12,806,775	10,009,590	12,241,124	10,009,590	10,009,590

Diluted earnings per share for the periods ended 30 September 2005, March 31 2006 and 30 September 2006 are equal to the basic earnings per share as there were no dilutive potential ordinary shares in issue.

19. NATURE OF FINANCIAL INFORMATION

The unaudited financial information for the periods ended 30 September 2006 has been prepared in accordance with International Financial Reporting Standards.

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 the Company for the period ended 30 September 2006 does not constitute statutory accounts within the meaning of the Companies Act 1985. Turbotec did not prepare separate audited accounts for this period. This financial information has been extracted from the consolidated financial statements of Thermodynamics Inc for the period ended 30 September 2006 solely for the purpose of this statement.

The report of the auditors on the Thermodynamics Inc financial statements for the year ended 31 March 2006 was unqualified as reported under US GAAP.

Copies of this statement will be made available on the Company's website www.turbotecproducts.com.

Further copies will be available, free of charge, from the offices of Turbotec'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.