



Feb. 14, 2007

FINANCIAL OVERVIEW

The Company generated record net sales of \$5,767,000 and \$17,312,000 for the three and nine month periods ended December 31, 2006 representing a 27% increase over both prior year periods, \$4,561,000 and \$13,597,000, respectively. Net income increased by 3% and 4% for the respective current three and nine month periods compared to the prior year. The majority of the revenue increase resulted from the pass through of material cost increases to customers while unit shipments also increased slightly from the prior year, coupled with a shift in product mix towards larger, higher priced coils.

This continuing increase in sales revenue resulted largely from sales of condenser/evaporator coils to the housing market augmented by increased sales of enhanced tubing used in specialty commercial boiler applications. Overall demand for coils has remained high during the current year despite the weakening in residential construction. Concerns over rising running costs and the future availability of energy sources have helped to create market opportunities for "green" heating and cooling products, such as geothermal technology, and other high efficiency systems that use the Company's heat exchangers. Enhanced surface titanium tubing is unique to the swimming pool heater market and although this market has shown some weakness in recent months, it continues to exhibit overall growth and has enabled the Company to capture a large part of this market niche.

Higher metal prices have resulted in higher carrying values of inventory as higher priced tubing was purchased to satisfy customer demand. The Company recently instituted price increases and changes in material cost pricing formulas to customers, which is expected to improve gross margins during the

balance of this fiscal year. Recent reduction in copper prices should further improve the company's profitability.

Operating expenses during the period increased due to the establishment of Human Resources department to address the company's growing needs for personnel in a tight job market. Higher than anticipated administration costs were incurred as the company develops its strategies for long-term growth. Senior management has undertaken programs to reduce inventory and streamline operations, applying lean manufacturing practice whilst, still maintaining a high level of service to its customers.

The recent launch of the new ENVIRO-PAK heat recovery product range at the AHR Expo in Dallas, Texas was well received, with initial response extremely favorable. Sales & Marketing efforts in the coming months will focus on the distribution of these new products as well as expanding its presence in current and new markets.

Sunil Raina, Managing Director, Turbotec Products Plc, Commented:

"We are delighted to report record sales for the period, following high demand for products. We have enjoyed a productive period culminating with the launch of ENVIRO-PAK and we look forward to the benefits afforded to us through the recent trend in reducing copper prices. We continue to deliver first class, high quality products to our customers and we look forward to the future with confidence."

-ENDS-

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FINANCIAL INFORMATION

UNAUDITED FINANCIAL INFORMATION FOR TURBOTEC PRODUCTS, PLC

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2006 AND 2005

	UNAUDITED	UNAUDITED
		PRO FORMA
	2006	2005
	(\$000's)	(\$000's)
ASSETS		
CURRENT ASSETS		
Cash	\$2	\$2
Accounts receivable, net of allowance for doubtful accounts of \$128 and \$85 in 2006 and 2005, respectively	2,394	1,975
Inventories	3,862	2,566
Prepaid expenses and other current assets	<u>131</u>	<u>70</u>
Total current assets	<u>6,389</u>	<u>4,613</u>
PROPERTY, PLANT AND EQUIPMENT, net	3,941	3,527
OTHER ASSETS	<u>343</u>	<u>103</u>
	<u>\$10,673</u>	<u>\$8,243</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES

Line of credit	\$538	\$2,690
Accounts payable	1,817	1,377
Accrued expenses and taxes	257	43
Current portion of long-term debt	121	323
Current portion of obligation under capital leases	=	<u>17</u>

Total current liabilities	2,733	4,450
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LONG-TERM LIABILITIES		
Long-term debt, less current maturities above	242	334
Obligations under capital lease, less current maturities above	-	-
Deferred income taxes	985	873
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	1,227	1,207
COMMITMENTS AND CONTINGENCIES		
	-	-
STOCKHOLDERS' EQUITY		
Common stock, par value \$100/share,	236	-
Merger reserve	(108)	10
Additional paid-in capital	3,373	-
Retained earnings	3,212	2,576
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	6,713	2,586
	<hr/>	
	\$10,673	\$8,243
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CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS

FOR THE NINE MONTHS ENDED DECEMBER 31, 2006 AND 2005

UNAUDITED	UNAUDITED
	PRO FORMA
2006	2005

	(\$000's)	(\$000's)
NET SALES	\$17,312	\$13,597
COST OF SALES	13,960	10,432
Gross Profit	3,352	3,165
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	1,775	1,355
Income From Operations	1,577	1,810
OTHER INCOME (EXPENSE)		
Interest Expense	(75)	(182)
Other	(61)	-
TOTAL OTHER INCOME (EXPENSE)	(136)	(182)
Income Before Management Fees	1,441	1,628
MANAGEMENT FEE EXPENSE	403	544
Income Before Provision for Income Taxes	1,038	1,084

PROVISION FOR INCOME TAXES	294	368
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Net Income	744	716
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RETAINED EARNINGS, Beginning	2,566	2,391
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LESS: Distributions to Parent	(98)	(531)
	<hr/>	
RETAINED EARNINGS, Ending	\$3,212	\$2,576
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CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE NINE MONTHS ENDED DECEMBER 31, 2006 AND 2005

UNAUDITED	UNAUDITED
	PRO FORMA
<u>2006</u>	<u>2005</u>

	<u>(\$000'S)</u>	<u>(\$000'S)</u>
<u>OPERATING ACTIVITIES:</u>		
Net income	\$744	\$716
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	189	175
Deferred taxes	49	123
Changes in operating assets and liabilities:		
Increase (decrease) in accounts receivable	(344)	(24)
Increase (decrease) in inventories	(861)	(209)
Decrease (increase) in prepaid expenses and other assets	(65)	(42)
Decrease (increase) in deferred assets	(102)	-
Decrease (increase) in accounts payable	(261)	(135)
Increase (decrease) in accrued taxes and expenses	20	(154)
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NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(631)	450
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<u>INVESTING ACTIVITIES:</u>		
Purchases of property, plant and equipment, net	(474)	(164)
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NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(474)	(164)
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FINANCING ACTIVITIES

Proceeds from short term borrowings	628	524
Proceeds from long-term borrowings	104	-
Principal payments on long-term debt	(117)	(255)
Principal payments on capital lease obligations	-	(22)
Proceeds from stock offering used to repay debt	(2,900)	-
Proceeds from stock offering	3,490	-
Net distributions to parent	(98)	(531)

NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	1,107	(284)
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INCREASE (DECREASE) IN CASH	2	2
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Cash at beginning of year	-	-
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Cash at end of year	<u>\$2</u>	<u>\$2</u>
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NOTES TO THE FINANCIAL STATEMENT

NOTE 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). Pursuant to a public offering completed in May 2006 in the United Kingdom, Thermodynamics, Inc. (Thermo) owns 56.32% of Turbotec Products Plc, with the balance owned by institutional investors. These financial statements reflect the operations of the Company and include all necessary adjustments for a stand alone presentation. All intercompany balances have eliminated. The fiscal year 2006 presentation reflects the financial position, results of operations and cash flows of Turbotec as the Company had not been formed at that time. As the financial information of the Company are those of only Turbotec, these presentations are comparable.

These financial statements are not in conformity with generally accepted accounting principles (GAAP). In these financial statements, 1) certain costs incurred in the development of new products have been deferred and will be amortized over the expected useful life of these products, 2) certain reclassifications have been made in the equity section of the balance sheet and 3) for the 2005 financial information, the Financial Accounting Standards Board Interpretation No. 46 (R) "Consolidation of Variable Interest Entities" has not been followed so as to present these financial statements under International Financial Reporting Standards. Under generally accepted accounting principles, all research and development expenses are expensed when incurred and variable interest entities must be consolidated. The effects of these departures from GAAP on the 2005 financial position, results of operations and cash flows have not been determined. Had the Company followed generally accepted accounting principles, other assets, at December 31, 2006, would have been decreased by \$248,000; stockholders equity, at December 31, 2006, would have been decreased by \$171,000 and income before taxes would have decreased by \$40,000 and \$76,000 for the three and nine months ended December 31, 2006, respectively.

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. The company 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.

NOTE 2 - COMPLETION OF PUBLIC OFFERING:

On May 8, 2006, Thermo completed the sale of a minority interest of the Company, whereby approximately 43.68% of Turbotec Products Plc was sold to institutional investors pursuant to an offering on the AIM Market of the London Stock Exchange. Pursuant to the offering, Thermo and Plc each sold 2,797,183 shares (a total of 5,594,366 ordinary shares of the Plc) at the price of 85 pence per ordinary share, resulting in gross proceeds of 4,755,211 British Pounds. Under the terms of the offering 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.

Pursuant to the offering documents, all shares were sold to non United States investors. In addition, under a Relationship Agreement, Thermo has agreed that for the next 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. Thermo 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 under British law to allot shares in the Plc, or under British law 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 Thermo and its Board

and provisions restricting the ability of Thermo 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 Act.

As part of the transaction, a reorganization of senior management and directors of Thermo and senior management and directors of its subsidiaries was effected, whereby Thermo and the Plc established independent officers and directors. Accordingly, certain officers and directors of Thermo 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:

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

Commercial Leases:

Thermo and Turbotec Products, Inc. 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, CT (see Note 16).

NOTE 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.

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 December 31, 2006 and 2005.

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.

Income Taxes:

Tax credits are recorded as a reduction of income taxes in the year realized. The Company 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.

Property, Plant and Equipment:

Property, plant and equipment of the Company 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 years
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.

NOTE 4 - FINANCIAL INSTRUMENTS:

Concentrations of Credit Risk:

The Company'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 the Company'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 the Company's estimated incremental borrowing rate.

The Company's financial instruments are held for other than trading purposes.

NOTE 5 - INVENTORIES:

The major classes of inventories consist of the following as of December 31 (\$000's):

	2006	2005
Raw materials	\$ 2,061	\$1,484
Work-in-process	137	141
Finished goods	1,699	996
	<hr/>	<hr/>
	3,897	2,621
Less reserves	35	55
	<hr/>	<hr/>
	<u>\$3,862</u>	<u>\$2,566</u>

NOTE 6 - NET PROPERTY AND EQUIPMENT:

Property and equipment, (summarized by major classification) at December 31 are (\$000's):

	2006	2005
Machinery and equipment	\$7,184	\$6,736
Furniture and equipment	1,143	1,073
Vehicles	105	71
Leasehold improvements	171	62
	<hr/>	<hr/>
	8,603	7,942
Less accumulated depreciation		
and amortization	4,662	4,415
	<hr/>	<hr/>
	\$3,941	\$3,527
	<hr/> <hr/>	<hr/> <hr/>

NOTE 7 - OTHER ASSETS:

Other assets consist of the following at December 31 (\$000's):

	<u>2006</u>	<u>2005</u>
Intangible assets, (net of prior amortization of \$411)	\$94	\$94
Deferred product development costs	248	0
Other	1	9
	<u>\$343</u>	<u>\$103</u>

NOTE 8 - LINE OF CREDIT:

The Company 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 7.25% at December 31, 2006 and 2005, respectively). The LOC contains various financial and non-financial covenants. At December 31, 2006, the Company had additional borrowing availability of approximately \$2,736,000 under this facility.

NOTE 9 - NOTES PAYABLE AND LONG-TERM DEBT:

At December 31, 2006, the Company 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 7.25% at December 31, 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 Company. The Company also has a \$500,000 line of credit with the same bank for the acquisition of machinery and equipment. Upon maturity the line of credit will convert to a term note payable over fifty-four months with interest charged at the bank's prime rate.

The Company must comply with certain financial and non-financial covenants under the notes, 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 December 31 (\$000's):

	2006	2005
Equipment loans and line of credit	\$363	\$657
Less: current maturities	121	<u>323</u>
	<u>\$242</u>	<u>\$334</u>

Maturities of notes payable and long-term debt for each of the years succeeding December 31, 2006 are as follows (\$000's):

Year ending December 31	\$
2007	121
2008	98
2009	83
2010	38

2011

23

\$363

NOTE 10 - CAPITAL LEASES:

On July 24, 2001, the Company entered into a capital lease for certain computer equipment. The lease called 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 December 31 is (\$000's):

	2006	2005
Computer equipment	\$128	\$128
Less accumulated amortization	128	113
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	\$-0-	\$15
	<hr/>	<hr/>

The final payment under this capital lease was made in the period ended December 31, 2006, upon which the equipment became the property of the company pursuant to the terms of the lease agreement.

NOTE 11 - RESEARCH AND DEVELOPMENT COSTS:

Research and development costs charged to selling, general and administrative expenses amounted to \$106,000 and \$73,000 for the three months ended December 31, 2006 and 2005 respectively and \$262,000 and \$278,000 for the nine months ended December 31, 2006 and 2005 respectively.

NOTE 12 - ADVERTISING:

The Company expenses the production costs of advertising as the costs are incurred. Advertising expense charged to selling, general and administrative expenses totaled \$14,000 and \$14,000 for the three months ended December 31, 2006 and 2005 respectively and \$53,000 and \$37,000 for the nine months ended December 31, 2006 and 2005 respectively.

NOTE 13 - INCOME TAXES:

The provision for income taxes at December 31 consists of (\$000's):

	Three Months		Nine Months Ended	
	Ended			
	2006	2005	2006	2005
Current:				
State	\$9	\$5	\$18	\$15
Federal	63	63	226	230
	<u>72</u>	<u>68</u>	<u>244</u>	<u>245</u>
Deferred	2	34	50	123
	<u>2</u>	<u>34</u>	<u>50</u>	<u>123</u>
	<u>\$74</u>	<u>\$102</u>	<u>\$294</u>	<u>\$368</u>

The components of the net deferred tax accounts at December 31 are (\$000's):

	2006	2005
Deferred tax assets:		
Investment tax credits	\$-0-	\$144
Uniform capitalization	9	15
Research and development credit	120	10
Reserves and other	68	61
	<hr/>	<hr/>
Total deferred assets	197	230
Deferred tax liabilities:		
Deferred product development costs	(87)	0
Property and equipment, net	(1,095)	(1,103)
	<hr/>	<hr/>
Total deferred liabilities	(1,182)	(1,103)
	<hr/>	<hr/>
	<u>\$ (985)</u>	<u>\$ (873)</u>

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.

NOTE 14 - 401(k) PLAN:

The Company 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. Thermo 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 Thermo, subsequent to the close of the Company's fiscal year. For the plan year commencing January 1, 2007 the Company has elected to make a cash payment equal to 100% of the first 3% of a participant's contribution and 50% of the next 2% contributed to the plan.

NOTE 15 - EMPLOYMENT CONTRACTS:

The Company 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 the Company within the United States for a period of two years after termination and are subject to the terms and conditions of confidentiality agreements.

NOTE 16 - RELATED PARTY TRANSACTIONS:

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

Administrative Fee:

Effective with the completion of the offering, the Company was obligated to pay Thermo 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 offering, the Company paid Thermo a management fee of 4% of net sales. Fees paid to Thermo approximated \$115,000 and \$182,000 for the three months ended December 31, 2006 and 2005, respectively, and \$403,000 and \$544,000 for the nine months ended December 31, 2006 and 2005, respectively

Office and Manufacturing Facility Rental:

The Company pays rent to Thermo 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 December 31, 2006 and 2005 were \$119,000 and \$72,000 respectively. Rental charges for the nine months ended December 31, 2006 and 2005 were \$336,000 and \$216,000 respectively.

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

Year ending December 31,

2007	\$478
2008	503
2009	524
2010	542
2011 and thereafter	137
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	<u>\$2,184</u>

NOTE 17 - CASH FLOW INFORMATION:

Cash paid for interest was \$75,000 and \$182,000 for the nine months ended December 31, 2006 and 2005, respectively.

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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.

