



Press Release

28 June 2010

Turbotec Products Plc

("Turbotec" or "the Company")

Final Results

Turbotec Products Plc (TRBO.L), the designer and manufacturer of high performance, high quality heat exchangers and heat transfer tubing, today announces its final results for the year ended 31 March 2010.

Highlights

- Earnings of \$2.0m on sales of \$19.8m before tax and one-off administration costs
- Gross margin maintained at 28%
- Net current assets increased by \$0.3m to \$5.5m (2009: \$5.2m)
- Total equity increased by \$0.9m to \$10.5m (2009: \$9.6m)
- New Hickory manufacturing facility under development
- Favourable court verdict in May 2010 included substantial award of costs

Commenting on the Final Results, Sunil Raina, Managing Director of Turbotec, said:

"I am pleased to report that Turbotec has delivered a solid set of results despite the challenging economic environment that has impacted every sector of the global economy, especially the US housing market. While the Company is delighted to put the long running court case behind us, Turbotec's results were depressed by the legal and advisory costs incurred in the successful defence of the claim brought by its majority shareholder, Thermodynamics Inc.

As previously announced, the Company is consolidating its manufacturing operations from three sites, two in Windsor, CT and one in Hickory, NC, to its newly acquired 100,000 square foot facility in Hickory, NC. This is a pivotal moment in Turbotec's development and the planning of fit-out of the new factory is well underway. We will be upgrading the manufacturing equipment and processes to enhance our ability to meet the ever increasing customer demands for high quality, high efficiency heat exchangers.

We remain positive about the near term opportunities for our products, particularly with the financial incentives now available for the installation of geothermal heat pumps for both residential and commercial applications in the US. Looking further ahead, we are cautiously optimistic about our long term prospects given the continued uncertainty over the global energy supply and the environmental impact of fossil fuel utilisation.”

- Ends -

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Chairman's Statement

Introduction

It is particularly pleasing in these challenging market conditions to report that, once again, progress has been made in meeting our twin strategic objectives; expanding our customer base and developing our manufacturing facilities, both of which continue to support our solid and profitable performance when compared with our peer group.

Business Summary

Turbotec manufactures high performance, high quality heat exchangers, and heat transfer tubing and fabricated metal components. The Company markets its products primarily in the United States with a small proportion of sales abroad to customers in a variety of industries including space conditioning, refrigeration, marine, swimming pool and spa, food and beverage, appliance and water heating. All manufacturing activities are carried out in the United States.

Results and Earnings

As we reported in our half-year report in November 2009, and third quarter in February 2010, sales for the year ended 31 March 2010 decreased significantly, by 26.5%, to \$19.8 million from \$27 million in the previous year. In previous years, our sales had been uplifted by rising commodity prices, whereas more recently lower raw material prices have been reflected in our selling prices. This, along with the much lower volume demand meant our gross profit decreased by 27.4% to \$5.45 million from \$7.51 million in the previous year. Operating profit fell by 49.5% to \$1.2 million (2009: \$2.4 million) due primarily to one-off administrative costs, including around \$780,000 in legal and related one off administrative costs associated with the dispute with our majority shareholder, Thermodynamics, Inc. (2009: \$250,000). We also capitalised investment costs of around \$160,000 relating to our new manufacturing facilities in Hickory N.C.

Operations

During the course of the year it became obvious to the Board that the difficulties of not only sustaining but growing the business in Connecticut would increase, despite the great efforts by our people to improve our competitive position. The previously notified slowing demand from major customers throughout the year meant taking steps to reduce operating costs at our Windsor plant. Looking to the future, we are pleased to report that our pilot facility in Hickory is now operating successfully.

As we announced on 15 March 2010, the plans for greater capacity are well advanced to consolidate all our operation into one larger facility during the current year. The Board believes the lower cost base, good access to an abundant skills base and strong work ethic demonstrated at our current Hickory facility will also offer further opportunities for cost savings to maximize the benefit from our ambitious sales growth plans in the future.

Legal Disputes

On 10 May 2010, the Company was pleased to announce that the court had ruled in its favour in relation to its legal dispute with Thermodynamics, Inc. ("TDYT") regarding the payment of administration fees, bringing to an end the hugely distracting and costly litigation instituted by the Company's majority shareholder.

The dispute arose in June 2007 when TDYT claimed that it was entitled to certain dividends despite the payment of administration fees to it by the Company under a Relationship Agreement, entered into with the Company at the time of its admission to AIM. The provisions of the agreement stated that in circumstances where the Company paid dividends to TDYT then this reduced the amount of administration fee accordingly, and if dividends were paid over two consecutive years which were equal to or more than the amount of the annual administration fee owed to TDYT for each of those years, then the obligation to pay any further administration fees terminated. As the Company had paid the annual administration fee in monthly instalments in accordance with the Relationship Agreement, once TDYT later became entitled to a dividend for that year the administration fee was recovered by way of set off against the dividend, with only the excess being paid to TDYT.

TDYT contested this interpretation of the agreement and claimed that dividends should be paid in full, payment of a dividend only suspended payment of the administration fee and that the two year test had not been met.

Despite attempts by the Board to negotiate a settlement with TDYT, the Company was unable to avoid action being taken and was forced to defend its position when TDYT brought an action against it in January 2008.

In his judgment, His Honour Judge Dight, sitting as a Judge of the High Court, stated that the annual administration fee had been calculated solely by reference to TDYT's cash needs and bore no relation to the services that TDYT had claimed to provide for the fee, adding that it was clear to him that the provisions of the Relationship Agreement for the payment of the administration fee were not a genuine transaction but a disguised return of capital. The Judge did not accept that the continued funding of TDYT, in order to pay the salaries of Mr. Lerman (President and CEO of TDYT) and Mr. Ferraro (Treasurer and CFO of TDYT), was proper.

He noted that Mr Lerman had refused to accept that the Company was to be an independent company with obligations to members of the public as well as to TDYT, and that, although TDYT had claimed that the services it provided included the oversight by Mr Lerman of the Company's activities, it was inappropriate for him to provide any such role and that following the Company's admission he no longer had the knowledge and skills to be of use to the Company.

The Judge also supported the Company's view on its correct interpretation of the provisions of the Relationship Agreement and its treatment of the administration fee, in that TDYT were entitled to either the administration fee or dividends for a particular year, but not both. In addition he noted that the Company's further offer of a settlement in November 2009, before the case was heard in court, should have been accepted by TDYT in the circumstances, prompting him to award certain of the costs on an indemnity basis against TDYT from that date. A full copy of the court judgment is available in the investor relations section on the Company's website should shareholders wish to read it.

The interim cost award of £350,000 has already been received, and the balance of the total cost award is currently being determined by the court and our legal advisers. The amounts received will be reflected in the group's results for the year ended 31 March 2011. On 28 April TDYT announced that it had sold 26% of its shareholding in the Company in order to pay or reduce its currently outstanding obligations.

The remaining dispute which relates to the lease created in April 2006 by TDYT, and to the overcharging of rent for both the sites occupied by our operations in Windsor will be heard in the Hartford courts later this year.

Dividends

For the year ended March 2008, the Company paid a total dividend of 6.3 cents per share (3.35p per share) and it is our intention, following the determination and payment of the remaining costs award referred to above, to return to and maintain a progressive dividend policy in the future. The Board is mindful of the additional one-off costs that will be incurred during this year with the planned business relocation to Hickory.

People

The current business climate has placed exceptional demands on our employees at all levels and the Board would once again like to sincerely thank all employees for their dedication and support during this difficult year.

Outlook

Given the constant feedback Turbotec receives from our all our customers, we continue to take a cautious view of the general business environment. We have experienced reduced demand for the past five quarters and most indicators show little or slow improvement for the remainder of the calendar year. Order intake from our existing customers remains slightly subdued, but we continue to focus on expansion of our customer base. We believe that given ever-increasing energy prices affecting running costs and the growing awareness of global warming issues, our products continue to be well placed to exploit further opportunities, particularly when the economy improves.

Despite the non-trading related issues that have hampered the Company's progress over the past two years, we have nonetheless continued to strengthen our business in many important ways during the most difficult economic conditions and this, coupled with the substantial opportunity presented by the proximity of our new major manufacturing location in Hickory to our Southern U.S customers, gives the Board every confidence in the future prospects for the Company.

Tom Nairn
Chairman

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2010**

	2010	2009
	\$'000	\$'000
Revenue	19,823	26,986
Cost of sales	(14,372)	(19,477)
Gross profit	<u>5,451</u>	<u>7,509</u>
Distribution expenses	(564)	(683)
Administrative expenses	(3,675)	(4,426)
Profit from operations	<u>1,212</u>	<u>2,400</u>
Finance expenses	(5)	(17)
Profit before tax	1,207	2,383
Tax expense	(468)	(968)
Profit for the year and total comprehensive income	<u><u>739</u></u>	<u><u>1,415</u></u>
Earnings per share – basic	<u>\$ 0.06</u>	<u>\$ 0.11</u>
Earnings per share – diluted	<u>\$ 0.05</u>	<u>\$ 0.11</u>

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

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2010**

	Share capital	Share Premium	Retained earnings	Merger Reserve	Total Equity
	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 31 March 2008	228	3,441	4,534	(168)	8,035
Total comprehensive income for the year	-	-	1,415	-	1,415
Share based payment expense	-	-	140	-	140
Balance at 31 March 2009	228	3,441	6,089	(168)	9,590
Total comprehensive income for the year	-	-	739	-	739
Share based payment expense	-	-	124	-	124
Balance at 31 March 2010	228	3,441	6,952	(168)	10,453

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2010

	2010	2009
	\$'000	\$'000
Assets		
Non-current assets :		
Property, plant and equipment	5,424	5,018
Intangible assets	355	439
Other	109	7
	<u>5,888</u>	<u>5,464</u>
Current Assets:		
Inventories	3,750	3,572
Trade and other receivables	1,539	1,654
Cash and cash equivalents	1,464	1,509
	<u>6,753</u>	<u>6,735</u>
Current Liabilities		
Current portion of long-term borrowings	85	178
Trade and other payables	1,125	1,247
Current tax liabilities	21	117
	<u>1,231</u>	<u>1,542</u>
Net current assets	<u>5,522</u>	<u>5,193</u>
Non-current liabilities		
Long-term borrowings	82	167
Deferred tax liability	875	900
	<u>957</u>	<u>1,067</u>
Net assets	<u>10,453</u>	<u>9,590</u>
Shareholders' equity:		
Share capital	228	228
Share premium account	3,441	3,441
Merger reserve	(168)	(168)
Retained earnings	6,952	6,089
Total equity	<u>10,453</u>	<u>9,590</u>

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2010**

	2010	2009
	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	1,207	2,383
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	426	386
Finance expense	5	17
Charge recognized in respect of share base payment	124	121
	<hr/>	<hr/>
Cash flows from operating activities before changes in working capital and provisions	1,762	2,907
Decrease in trade and other receivables	113	1,335
(Increase) in inventory	(178)	(435)
Decrease in trade and other payables	(201)	(1,338)
	<hr/>	<hr/>
CASH GENERATED FROM OPERATIONS	1,496	2,469
Taxes paid	(510)	(761)
	<hr/>	<hr/>
Net cash flows from operating activities	986	1,708
	<hr/>	<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES		
Development costs paid	-	(10)
Purchases of property, plant and equipment	(848)	(866)
Net cash used in investing activities	<hr/>	<hr/>
	(848)	(876)
	<hr/>	<hr/>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on long term debt	(178)	(179)
Finance expense	(5)	(17)
Net cash used in financing activities	<hr/>	<hr/>
	(183)	(196)
	<hr/>	<hr/>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(45)	636
CASH AND CASH EQUIVALENTS, beginning of period	1,509	873
CASH AND CASH EQUIVALENTS, end of period	<hr/>	<hr/>
	1,464	1,509

1. BASIS OF PREPARATION

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

The financial information set out above/ below does not constitute the company's statutory accounts for 2010 or 2009. Statutory accounts for the years ended 31 March 2010 and 31 March 2009 have been reported on by the Independent Auditors. The Independent Auditors' Report on the Annual Report and Financial Statements for 2009 was unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under 237(2) or 237(3) of the Companies Act 1985. The Independent Auditors' Report on the Annual Report and Financial Statements for 2010 was unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006.

Statutory accounts for the year ended 31 March 2009 have been filed with the Registrar of Companies. The statutory accounts for the year ended 31 March 2010 will be delivered to the Registrar in due course.

2. TAXATION

Analysis of charge in period:

	2010 (\$000's)	2009 (\$000's)
Current Tax Expense		
Income tax computed at US tax rates	493	933
UK corporation tax	-	-
Total current tax expense	<u>493</u>	<u>933</u>
Deferred tax expense computed at US tax rates	(25)	35
Total income tax expense	<u>468</u>	<u>968</u>

Tax reconciliation:

The tax for the period is different than the standard rate of corporate tax in the UK (28% in 2010 and 2009). The differences are attributable to the following:

	2010 (\$000's)	2009 (\$000's)
Profit Before Tax	1,207	2,383
Profit before tax multiplied by rate of corporate tax in the UK of 28% (2009:28%)	338	667
Effect of:		
Higher rate of tax on overseas earnings	135	286
Unrelieved losses carried forward	134	60
Differences between taxable and book income	(52)	(82)
Over accrual from prior year	(72)	-
Other	(15)	37
Total Taxation	<u>468</u>	<u>968</u>

3. BASIC EARNINGS PER SHARE AND DILUTED EARNINGS PER SHARE

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

	2010		2009	
	Income (Numerator)	Shares (Denominator)	Income (Numerator)	Shares (Denominator)
Net income	<u>739</u>		<u>1,415</u>	
Basic EPS				
Income available to common shareholders	739	12,806,773	1,415	12,806,773
Effect of Dilutive Securities				
Stock options		<u>707,781</u>		<u>-</u>
Diluted EPS				
Income available to common shareholders including assumed conversions	<u>739</u>	<u>13,514,554</u>	<u>1,415</u>	<u>12,806,773</u>

Employee options have been excluded from the calculation of diluted earnings per share in 2009 as their exercise price is greater than the weighted average price share during the year. Therefore it was not to be advantageous for the holders to exercise those options.

4. OPERATING PROFIT

Operating expenses decreased significantly despite the company incurring \$780,000 of one-off administrative costs related to legal and related expenses (2009: \$250,000) in connection with an action brought by Thermodynamics, Inc related to the payment of administration fees by the company in 2007 and 2008 (see Note 7). Certain one off start up costs of \$250,000 related to the leased Hickory facility were expensed in 2009 (2010: nil). In addition, approximately \$270,000 in expenses related to a discretionary profit sharing plan and company cash matches to the defined contribution pension scheme made in 2009 were discontinued in 2010.

5. CALLED UP SHARE CAPITAL

	Authorized			
	2010		2009	
	Number of <u>Shares</u>	<u>\$000's</u>	Number of <u>Shares</u>	<u>\$000's</u>
Outstanding shares of 1p each	20,000,000	356	20,000,000	356
	Issued and Fully Paid			
	2010		2009	
	Number of <u>Shares</u>	<u>\$000's</u>	Number of <u>Shares</u>	<u>\$000's</u>
Outstanding shares of 1p each	12,806,773	228	12,806,773	228
At beginning of year	12,806,773	228	12,806,773	228
Changes during year	-	-	-	-
At end of year	<u>12,806,773</u>	<u>228</u>	<u>12,806,773</u>	<u>228</u>

6. ULTIMATE PARENT COMPANY

At 31 March 2010 the ultimate parent undertaking was Thermodynamics, Inc, a company incorporated in the United States. Consolidated financial statements are not prepared by Thermodynamics, Inc.

7. SUBSEQUENT EVENTS

In April 2010, the Company completed the purchase of an approximately 100,000 square foot facility and an adjacent 5.46 acre parcel of undeveloped land in Hickory, North Carolina for \$2,768,750. The company plans to relocate its manufacturing operations to this facility commencing in late fiscal year 2011. The purchase was financed in part with a mortgage from the Company's existing bank in the amount of \$2,215,000. The mortgage has a twenty five year amortization schedule with equal monthly payments of principal with a five year term and bears interest at a floating rate linked to the bank's prime rate.

On 10 May 2010 the Company was notified that it was successful in its defence of the claim brought by Thermodynamics in relation to the payment of administration fees under the Relationship Agreement. The company was awarded substantial costs, including an order of payment on account of 350,000 pounds sterling by Thermodynamics with an additional amount to be determined by the court. The initial payment was received by the Company in May 2010 and will be reflected in the fiscal year 2011 accounts.