



Press Release

29 June 2009

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 2009.

Highlights

- Revenues broadly maintained at \$27.0m (2008: \$28.0m) despite difficult economic climate
- Gross profit increased by 2.2% to \$7.5m (2008: \$7.3m)
- Net current assets increased by \$0.9m to \$5.2m (2008: \$4.2m)
- Total equity increased by \$1.6m to \$9.6m (2008: \$8.0m)
- Hickory manufacturing facility now operational
- New customer added with potential order values of \$1.0m, p.a.

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

"I am pleased to report that Turbotec has generated solid results despite the unprecedented weakness in housing, tight credit markets and the US economic recession. The Company continues to expand its customer base and has now established its Hickory manufacturing facility. We are excited about the potential opportunities for our products with the significant incentives now available for the purchase of geothermal heat pumps for both residential and commercial installations in the US. We remain cautiously optimistic about our long term

prospects given the continued uncertainty over global energy supply, increasing awareness of climate change and the drive towards practical, energy saving solutions with a lower carbon footprint.”

- Ends -

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Chairman's Statement

Introduction

In this, our third Annual Report since flotation, I am pleased to report that, once again, progress has been made in meeting our strategic objectives, expanding our customer base and developing our manufacturing facilities, all of which continue to support our solid and profitable performance in these difficult times.

Business Summary

Turbotec manufactures high performance, high quality heat exchangers, heat transfer tubing and fabricated metal components. The Company markets its products in the United States, Canada and other countries 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

Turnover for the year ended 31 March 2009 decreased slightly, by 3.7%, to \$27m from \$28m in the previous year. Just as our sales turnover had in previous years been uplifted by rising commodity prices, lower raw material prices have been reflected in our recent selling prices. Gross profit increased by 2.2% to \$7.509 million from \$7.346 million in the previous year, as a result of the efficiencies achieved within our manufacturing operations. Operating profit fell by 25% to \$2.4m (2008: \$3.22m) due primarily to one-off administrative costs, including around \$250,000 in legal costs associated with the dispute with our majority shareholder, Thermodynamics, Inc. ("TDYT") (2008: \$250,000), \$220,000 of exceptional legal and related costs, and set-up costs of around \$250,000 for our new manufacturing facility in Hickory N.C.

In relation to the legal dispute, as previously announced, TDYT has asked the Court for further time to prepare for trial and a new date has been set for December 2009. As we stated in our interim report, the Board has once again carefully considered all of the above factors and, in line with the decision made at the time of our most recent Interim Report, has concluded that it will reserve any decision on dividend until the outcome of the litigation is known. In 2008, we paid a total dividend of 6.3 cents per share (3.35p per share) and it is our intention, following the conclusion of the current litigation, to return to and maintain a progressive dividend policy in the future.

Operations

We continue to improve our existing manufacturing facilities by the active implementation of lean manufacturing techniques which has contributed to the improvement in gross margin to 28% for the current year (2008: 26%). As a result of the previously notified slowing demand from major customers in the last quarter, we have taken steps to reduce operating costs at our Windsor plant. Looking to the future, we are pleased to report that our Hickory facility is now operational with two working cells. Planning for greater capacity is well advanced, with three further cells expected to be in use by the end of the current calendar year. The Board believes the lower cost base and strong work ethic of our Hickory facility will also offer further opportunities for cost savings in our operations in the future.

Legal Dispute

In January 2008, proceedings were issued in London against the Company by TDYT, which claimed, under its Relationship Agreement with the Company, that it was entitled to receive amounts paid for the financial year ended 31 March 2007, in addition to the administration fee instalments that it had already received for that same year, and indicating the value of its claim at circa £205,000. On the basis of professional legal advice received, the Company firmly believes that TDYT is entitled to either administration fee payments or other payments of equal amount for that financial year (and the following financial year), but not both. As previously announced, TDYT has subsequently revised its claim upwards; however, the Company remains confident of its position and is continuing to defend the claim robustly.

People

Whilst we are always receptive to the recruitment of good quality people to augment our team, we are currently focused on the ongoing training and development of our existing team to support our future growth. The current business climate has placed 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 the year.

Outlook

Given the already well publicised state of the US economy, we continue to take a cautious view of the general business environment. We have experienced growth in some areas of our business over the last 12 months, which suggests that consumers are still intent on reducing their energy costs and improving their carbon footprint despite the difficult economic conditions. Order intake remains slightly subdued across our existing customer base, but we continue to experience steady expansion in our customer numbers. We believe that given ever-increasing energy prices affecting running costs and the growing awareness of global warming issues, our products are well placed to exploit further opportunities, when the economy improves.

The Company has enhanced its industry profile through more effective marketing of our market-leading products over the past year and, together with new partners, we are also starting to access other applications and markets for our products. Despite the non-trading related issues currently facing the Company, we have continued to strengthen our business during a difficult economic period and this, coupled with the substantial opportunity presented by the proximity of Hickory facility to our Southern U.S customers, gives the Board confidence in the future prospects for the Company.

Tom Nairn

Chairman

**CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2009**

		2009	2008
	Note	\$'000	\$'000
Revenue		26,986	28,021
Cost of sales		(19,477)	(20,675)
Gross profit		<u>7,509</u>	<u>7,346</u>
Distribution expenses		(683)	(662)
Administrative expenses		(4,426)	(3,466)
Operating profit		<u>2,400</u>	<u>3,218</u>
Finance expenses		(17)	(33)
Profit before tax		2,383	3,185
Income tax expense	2	(968)	(1,269)
Profit for the year		<u><u>1,415</u></u>	<u><u>1,916</u></u>
Earnings per share – basic	3	<u>\$0.11</u>	<u>\$0.15</u>
Earnings per share – diluted	3	<u>\$0.11</u>	<u>\$0.14</u>

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

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

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2009**

	Share capital	Share Premium	Retained earnings	Merger Reserve	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 31 March 2007	228	3,441	4,182	(168)	7,683
Profit and total recognized income and expenses for the period	-	-	1,916	-	1,916
Share based payment expense	-	-	38	-	38
Dividends paid	-	-	(1,602)	-	(1,602)
Balance at 31 March 2008	228	3,441	4,534	(168)	8,035
Profit and total recognized income and expenses for the period	-	-	1,415	-	1,415
Share based payment expense	-	-	140	-	140
Dividends paid	-	-	-	-	-
Balance at 31 March 2009	228	3,441	6,089	(168)	9,590

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

CONSOLIDATED BALANCE SHEET AT 31 MARCH 2009

	Note	2009	2008
		\$'000	\$'000
Assets			
Non-current assets :			
Property, plant and equipment		5,018	4,496
Intangible assets		439	471
Other		7	-
		<u>5,464</u>	<u>4,967</u>
Current Assets:			
Inventories		3,572	3,137
Trade and other receivables		1,654	2,996
Cash and cash equivalents		1,509	873
		<u>6,735</u>	<u>7,006</u>
Current Liabilities			
Current portion of long-term borrowings		178	178
Trade and other payables		1,247	2,428
Current tax liabilities		117	174
		<u>1,542</u>	<u>2,780</u>
Net current assets		<u>5,193</u>	<u>4,226</u>
Non-current liabilities			
Long-term borrowings		167	346
Deferred tax liability		900	812
		<u>1,067</u>	<u>1,158</u>
Net assets		<u>9,590</u>	<u>8,035</u>
Shareholders' equity:			
Share capital	6	228	228
Share premium account		3,441	3,441
Merger reserve		(168)	(168)
Retained earnings		6,089	4,534
Total equity		<u>9,590</u>	<u>8,035</u>

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

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2009**

	<u>2009</u>	<u>2008</u>
	<u>\$'000</u>	<u>\$'000</u>
Cash flows from operating activities		
Profit before tax	2,383	3,185
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	386	293
Finance expense	17	33
Charge recognized in respect of share based payment	121	37
Cash flows from operating activities before changes in working capital and provisions	<u>2,907</u>	<u>3,548</u>
Decrease in trade and other receivables	1,335	363
(Increase) decrease in inventory	(435)	279
Decrease in trade and other payables	(1,338)	(361)
Cash generated from operations	<u>2,469</u>	<u>3,829</u>
Taxes paid	(761)	(884)
Net cash provided from operating activities	<u>1,708</u>	<u>2,945</u>
Cash flows from investing activities		
Development costs paid	(10)	(60)
Purchases of property, plant and equipment	(886)	(614)
Net cash used in investing activities	<u>(876)</u>	<u>(674)</u>
Cash flows from financing activities		
Proceeds from long term borrowings	-	366
Principal payments on long term debt	(179)	(174)
Dividends paid to shareholders	-	(1,602)
Finance expense	(17)	(33)
Net cash used in financing activities	<u>(196)</u>	<u>(1,443)</u>

Net change in cash and cash equivalents	636	828
Cash and cash equivalents , beginning of period	<u>873</u>	<u>45</u>
Cash and cash equivalents , end of period	<u><u>1,509</u></u>	<u><u>873</u></u>

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

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 1985 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 does not constitute the Company's statutory accounts for the years ended 31 March 2009 or 31 March 2008. Statutory accounts for 2008 have been delivered to the Registrar of Companies. The statutory accounts for 2009 will be delivered to the Registrar of Companies following the Company's annual general meeting. The auditors report on the 2009 and 2008 accounts was unqualified and did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain a statement under S237(2) or (3) of the Companies Act 1985.

2. TAXATION

Analysis of charge in period:

	2009	2008
	(\$000's)	(\$000's)
Current tax expense:		
Income tax computed at US tax rates	933	1,052
UK corporation tax	-	-
Total current tax expense	<u>933</u>	<u>1,052</u>
Deferred tax expense computed at US tax rates	35	217
Total income tax expense	<u><u>968</u></u>	<u><u>1,269</u></u>

Tax reconciliation:

The tax for the period is different than the standard rate of corporate tax in the UK (28% for 2009 and 30% for 2008). The differences are attributable to the following:

	2009	2008
	(\$000's)	(\$000's)
Profit Before Tax	2,383	3,185
Profit before tax multiplied by rate of corporate tax in the UK of 28% (2008:30%)	667	956
Effect of:		
Higher rate of tax on overseas earnings	286	318
Tax credits used to reduce taxes paid	(30)	(30)
Permanent differences between taxable and book income	22	28
Other	23	(3)
Total taxation	968	1,269

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.

	2009		2008	
	Income (Numerator)	Shares (Denominator)	Income (Numerator)	Shares (Denominator)
Net income	<u>1,415</u>		<u>1,916</u>	
Basic EPS				
Profit for the year	1,415	12,806,773	1,916	12,806,773
Effect of Dilutive Securities				
Employee share options		-		<u>800,000</u>
Diluted EPS				
Weighted average number of Shares used in diluted EPS	<u>1,415</u>	<u>12,806,773</u>	<u>1,916</u>	<u>13,606,773</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 increased significantly as the company incurred \$220,000 of one-off administrative costs related to legal and related expenses in fiscal 2009 (2008: nil) and start up costs of \$250,000 related to the new Hickory facility. In addition, approximately \$250,000 (2008:\$250,000) was expended in advisor fees during 2009 as the company prepared for trial in conjunction with an action brought by Thermodynamics, Inc related to the payment of administration fees by the company in 2007 and 2008.

5. COMMITMENTS AND CONTINGENCIES

The Company is the defendant in an action brought by its majority shareholder seeking to limit the recovery of administration fees paid to Thermodynamics in 2007 and 2008 and other disputed obligations between the parties pursuant to a Relationship Agreement. Thermodynamics sought an adjournment seeking additional time to prepare for trial; the court has now set December 2009 as the new trial date. The Company believes that it has meritorious defences to the claims raised and that it will ultimately prevail when the matter is dispositioned by the court. The amount initially claimed was £205,000 Pounds Sterling. An amended claim was submitted by Thermodynamics in October 2008 which increased the quantum of claim up to, in one alternative, \$1.17m at that date.

6. CALLED UP SHARE CAPITAL

	2009		2008	
	Number of Shares	(\$000's)	Number of Shares	(\$000's)
Authorized				
Outstanding shares of 1p each	20,000,000	356	20,000,000	356
Alloted				
Outstanding shares of 1p each	12,806,773	228	12,806,773	228

Turbotec Products Plc (the "Company") was incorporated on 14 October 2005 in the UK and re-registered as a public company on April 11, 2006 and is the parent company of a wholly owned subsidiary, Turbotec Products, Inc (Turbotec) (together 'the Group').

On May 8, 2006, TDYT, formerly the sole shareholder of the Company, 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, TDYT 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. TDYT now owns 56.32% of Turbotec Products Plc, with the balance owned by institutional investors.

7. ULTIMATE PARENT COMPANY

The ultimate parent undertaking is Thermodynamics, Inc, a company incorporated in the United States. This is the largest and smallest group into which the Company's results are consolidated. Copies of Thermodynamics, Inc's consolidated financial statements can be obtained from that company at its home office: 651 Day Hill Road, Windsor, Connecticut, USA, 06095, Attention: Company Secretary.

