

13 MAY 2011

**TURBO POWER SYSTEMS INC. (TPS) ANNOUNCES RESULTS FOR
THE FIRST QUARTER ENDED 31 MARCH 2011**

These Interim Consolidated Financial Statements, including comparatives, are the first produced under International Financial Reporting Standards ('IFRS').

The effect of adopting IFRS on Equity attributable to shareholders of the company as at 31 December 2010 was a reduction from £(228,000) as previously reported under Canadian GAAP to £(238,000) as reported under IFRS.

Further information, including the Accounting Policies adopted under IFRS, is provided in the Notes to the Interim Consolidated Financial Statements.

Key Features

- Q1 order intake was £11 million, with a strong pipeline of prospective orders
- Production and development income decreased 35% for the quarter to £2.08 million (2010: £3.11 million)
- Of which, production revenues in the quarter decreased by 30% to £1.80 million (2010: £2.58 million)
- Continued investment in further improving development and operational capabilities.
- Research and product development costs increased 37% to £0.95 million (2010: £0.69 million (before R&D Tax credits of £0.07 million)),
- Headcount increased in the quarter by 25% to 132 leading to 67% rise in general and administrative costs to £1.17 million (2010: £0.70 million).
- EBITDA loss for the quarter of £1.37 million (2010: profit £0.01 million)
- Net loss in the quarter of £1.62 million (2010: £0.02 million)
- Operating cash outflow in the quarter of £1.77 million (2010: inflow £0.05 million)
- Loan from TAO UK increased to £3.1 million (2010: £1.9 million) and subsequent to the period end to £5.3 million

James Pessoa, Chairman, said:

“Financial performance in the quarter was a loss of £1.62 million, compared with 2010 Q1: loss of £0.02 million and Q4: loss of £2.97 million.

In February 2011 the Company negotiated a loan facility from its majority investor TAO UK, which provided £0.8 million to support working capital requirements, bearing interest at 6% and being repayable upon request after 1 January 2012. In March 2011 the Company increased this loan by a further £0.4 million. Subsequent to the period end in April 2011, the Company extended the loan

facility with TAO UK to provide an additional £2.2 million of working capital under the same terms, taking the total loan to £5.3m.

We remain a technology led company, and have continued to strengthen the technical team to ensure we support relationships with science based corporations who have demanding applications for our technologies. Headcount in the quarter rose by 27 (25%) to 132 at 31 March 2011. Additionally, investment in Research and product development increased by 37% to £0.95m (2010: £0.69 million ((before R&D Tax credits of £0.07 million).

The rail and industrial sectors have recovered well with good order intake achieved in 2011 and good prospects for the remainder of this year for our laser power suppliers and motors/drives for other industrial applications.

In the defence arena we have identified specialist pockets of growth potential in areas where TPS technology can be applied. We have been able to initiate contact with potential future partners and will continue to investigate this market further and hope to see increased activity during the year.

The business continues to pursue applications for its leading technologies and to leverage its relationship with TAO UK and its parent VSE, which is headquartered in Brazil.

As announced in February 2011, Peter Brown has been appointed as Chief Executive Officer of the Company. He took up the position on 3 May 2011, succeeding Jim Vickerman who had held the Chief Executive position on an interim basis since October 2010.

Under Peter's leadership of the Executive Team, the Board's challenge for 2011 is to achieve significant progress towards making Turbo Power Systems a profitable business, one capable of sustaining organic growth.

We have seen an increasing number of system based enquiries, and contract wins. Order intake in the quarter was £11million. We have a firm belief that the marketplace is starting to recognize the value of our technology and we have a strong pipeline of prospective orders."

For further information, please contact:

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NOTES TO EDITORS

About Turbo Power Systems

Company Website: *www.turbopowersystems.com*

Turbo Power Systems Inc (TSX:TPS.TO AIM:TPS.L) is a leading UK based designer and manufacturer of innovative power solutions. The Company's products are all based on its core technologies of power electronics and high speed motors and generators and are sold into a number of market sectors including aerospace, rail, and various industrial sectors. The Company's products provide improved efficiency and reduced energy consumption compared to existing technologies.

Turbo Power System's existing third party customers include blue chip companies such as Bombardier Transportation, McQuay International and Eaton Aerospace. The Company also has commercial contracts with its ultimate parent company, Vale Soluções em Energia S.A. ("VSE"), the Brazilian energy solutions company, and with Tao Sustainable Power Solutions (UK) Ltd ("TAO UK"), which is a VSE wholly owned subsidiary and TPS's parent undertaking.

Forward looking statements

This press release contains forward-looking statements. Forward-looking statements include statements concerning plans, objectives, goals, strategies, future events, or performance, and underlying assumptions and other statements that are other than statement of historical fact. These statements are subject to uncertainties and risks including, but not limited to, the ability to meet ongoing capital needs, product and service demand and acceptance, changes in technology, economic conditions, the impact of competition, the need to protect proprietary rights to technology, government regulation, and other risks defined in this document and in statements filed from time to time with the applicable securities regulatory authorities.

Definition of non-GAAP financial measures

EBITDA is calculated as the net loss for the period less financial interest income and charges, foreign exchange gains and losses, tax charges and receipts, depreciation, amortization, and stock compensation charges. The Company believes that EBITDA is useful supplemental information as it provides an indication of the operational results generated by its business activities prior to taking into account how those activities are financed and taxed and also prior to taking into consideration asset amortization. EBITDA is not a recognised measure under GAAP and, accordingly, should not be construed as an alternative to operating income or net loss determined in accordance with GAAP as an indicator of financial performance or of liquidity and cash flows. EBITDA does not take into account the impact of working capital changes, capital expenditures and other sources and uses of cash which are disclosed in the consolidated statement of cash flows. The Company's method of

calculating EBITDA may differ from other issuers and may not be comparable to similar measures provided by other companies.

Notice of no auditor review of interim financial statements

Under Canadian National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying un-audited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

OPERATIONAL REVIEW

This review has been prepared as at 12 May 2011.

Business of the Company

Turbo Power Systems designs and manufactures:

- high-speed permanent magnet based motors and generators for industrial, transport, power generation and military applications, where technical performance, energy efficiency and power density requirements cannot be met by conventional technology.
- power electronics products, including variable frequency drives and inverters, which combine with the Company's electrical machines to create an integrated solution, and a range of rugged power conversion products for rail and industrial applications.

Strategic Direction

We remain a technology led company, and have continued to strengthen the technical team to ensure we support relationships with science based corporations who have demanding applications for our technologies.

The business continues to pursue applications for its leading technologies and to leverage its relationship with TPS's parent undertaking TAO UK and its ultimate parent company VSE, which is headquartered in Brazil. We have seen an increasing number of system based enquiries, and contract wins in the period and we have a firm belief that the marketplace is starting to recognize the value of our technology.

The rapidly developing market place for advanced technologies in Brazil offers many exciting opportunities and in the coming year we expect to see tangible results from the Agency Agreement signed with VSE, which was announced in December 2010. Equally, there are active opportunities on almost every continent and we see clear signs that confidence is returning to our market places.

Operationally our emphasis upon developing Integrated Systems demands that our two sites at Gateshead and Heathrow will work more closely together, functioning as one engineering team. We also recognize that our customer base is increasingly keen to secure regional manufacture capability outside the UK. We are taking steps to seek to ensure that TPS is commercially and operationally capable of responding positively.

Current Operating Climate

The rail and industrial sectors have recovered well with good order intake achieved in 2011 and good prospects for the remainder of this year for our laser power suppliers and motors/drives for other industrial applications.

In the defence arena the Company has identified specialist pockets of growth potential in areas where TPS technology can be applied. We have been able to initiate contact with potential future partners and will continue to investigate this market further and hope to see increased activity during the year.

Current Programmes

The Company operates with two reportable segments. The Power Electronics Division is involved in the development and manufacture of electrical power supply and control systems, encompassing rail and aerospace transport activities, power conditioning within the renewable energy area and industrial power supplies. The Electrical Machines Division is involved in the development and commercialization of high speed electrical machines which are currently marketed within the renewable energy, industrial and defence markets.

- **Transport**

- **Rail**

The programme to develop the Auxiliary Power solution for Bombardier Systems new Innovia ART Vehicle platform continues to make progress, whilst the business is also engaged in the overhaul and support of the CL165 vehicle Auxiliary Power solution for Chiltern Rail. The rate of delivery continues to grow on the major programmes (Bombardier Chicago Transit Authority and Bombardier Toronto). Deliveries on our smaller rail programmes continue to be made to customer call off requirements. The team are heavily focused upon the recently awarded Bombardier Monorail APU project.

- **Aerospace**

The Jettison Fuel Pump motor drives for Eaton Aerospace continue to be delivered in line with the customer's call-off rate.

- **Energy**

The development of the 1.2MW High Speed Generator & associated Power Electronics package for TAO UK has made progress, the full specification of the equipment is now fully defined and good steady progress is anticipated for the rest of 2011.

- **Industrial**

- **Laser Power Supplies**

Further demand from our customer has been seen in 2011 and will again surpass production rates in previous years. The product range has also been streamlined and improved to support the needs of our customers business.

- **Industrial Motors and Drives**

A further order for 150 systems to our Industrial Motors and Drives OEM (McQuay International) is anticipated. These units are for use in McQuay International's recently launched Magnitude WME chiller.

Following the re-start of the manufacturing of the S2M Laser Blower products there has been a continuing demand for this product throughout the year, with indication that there will be continuing demand for these units during 2011.

- **Defence**

- **1MW High-Speed Generator**

System trials of our high-speed machine are near completion and the company expects that the overall system will be subject to rigorous field trials during 2011. On the basis of the success of the trials we have indications that additional units and or further products are likely to be required.

Financial Performance

Transition to International Financial Reporting Standards (“IFRS”)

In February 2008, the Canadian Accounting Standards Board announced the adoption of IFRS for publicly accountable enterprises in Canada effective January 1, 2011. The accompanying unaudited interim consolidated financial statements for the three months ended March 31, 2011 are TPS’s first financial statements prepared under IFRS. The significant accounting policies adopted under IFRS are included in note 2 to the unaudited interim consolidated financial statements and the reconciliations and descriptions of the effect of transitioning from GAAP to IFRS are included in note 3. In accordance with the transition rules, the Company has retroactively applied IFRS to the comparative data.

The Company has restated the 2010 comparative data throughout this document to reflect the adoption of IFRS, with effect from January 1, 2010 (Transition Date). For the first quarter of 2010, the net loss was £0.02 million under IFRS, compared to a net profit of £0.02 million under GAAP. The only significant Canadian GAAP to IFRS adjustment to the consolidated statement of operations throughout 2010 related to the recording of a liability for holiday pay under IAS 19. Under IFRS, holiday pay is accrued based on the difference of holiday pay accrued to the employees with the amount of holiday taken in the period. At any quarter end the amount will fluctuate but at the year end the liability under IFRS is expected to remain broadly similar to that under GAAP.

Financial performance

Total revenues in the quarter ended 31 March 2011 of £2.08 million were 35% lower than in the first quarter of the 2010 financial year (2010: £3.11 million), primarily due to decreased production volumes.

The Board continued to implement its strategy of seeking to further improve the Company’s development and operational capabilities.

Research and product development costs increased by 37% from 2010 £0.69 million (before R&D Tax credits of £0.07 million) to £0.95 million.

General and administrative costs, which consist mainly of staff costs, facilities costs and the costs associated with the Company’s public listings, were up by 67% from 2010: £0.70 million to 2011: £1.17 million in 2011. The major element in the increase of £0.47 million was higher staff costs, partly as a result of increased headcount and partly because of a management restructuring cost of £0.14 million (2010: £ Nil).

The Company recorded a loss before interest, tax, depreciation, amortization, foreign exchange gains and losses and stock compensation for the quarter of £1.37 million (2010: profit £0.15 million) primarily as a result of decreased revenues.

The Company also recorded an operating cash outflow before working capital movements of £1.42 million for the quarter (2010: inflow £0.42 million). After adjusting for changes in working capital items and purchases of property, plant and equipment suffered an overall cash outflow of £1.80 million (2010: £0.03 million).

The Company finished the quarter with an unrestricted cash balance of £0.20 million and held further cash of £0.45 million associated with performance bonds.

During the period ended 31 March 2011 the Company undertook two significant transactions with related parties. In February 2011 the Company negotiated a loan facility from its majority investor TAO UK, which provided £0.8 million to support working capital requirements, bearing interest at 6% and being repayable upon request after 1 January 2012. In March 2011 the Company increased this loan by a further £0.4 million.

Subsequent to the period end in April 2011, the Company extended the loan facility with TAO UK to provide an additional £2.2 million of working capital under the same terms taking the total loan to £5.3m.

Going Concern

These interim condensed consolidated financial statements have been prepared on the basis of International Financial Reporting Standards applicable to a 'going concern', which assume that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. As at 31 March 2011 the Company had net operating cash outflows. Therefore the Company may require additional funding which, if not raised, may result in the curtailment of activities. The Company has a cumulative deficit of £81.70 million as at 31 March 2011.

At 31 March 2011 the Company had an unrestricted cash balance of £0.20 million and held further cash of £0.45 million associated with performance bonds. If the Company is unable to generate positive cash flow from operations or secure additional debt or equity financing these conditions and events would cast substantial doubt regarding the "going concern" assumption and, accordingly, the use of accounting principles applicable to a going concern. These consolidated financial statements do not reflect adjustments to the carrying values of the assets and liabilities, the reported expenses and the balance sheet classifications, which could be material, which would be necessary if the "going concern" assumption were not appropriate.

On 25 February 2011 the Company announced that it had extended the loan financing agreement with its principal shareholder, TAO UK, to provide the Company with access to a further £0.8 million of debt financing to support working capital requirements. On 28 March 2011 the Company announced that it had increased this facility with an additional £0.4 million.

Subsequent to the period end, on 15 April 2011 the Company announced that it had increased this facility with an additional £2.2 million under the same terms taking the total loan to £5.3m.

The Directors regularly reviews and considers the current and forecast activities of the Company in order to satisfy themselves as to the viability of operations. These ongoing reviews include consideration of current order book and future business opportunities, current development and production activities, customer and supplier exposure and forecast cash requirements and balances. Based on these evaluations the Directors consider that the Company is able to continue as a going concern.

Summary of Quarterly Results

The following table sets forth selected quarterly consolidated financial information of the Company for the last eight quarters;

All amounts in £'000	Revenue	Research and product development	General and administrative	Net profit/ (loss)	Profit/ (loss) per share	Net cash flow from operating	Net cash flow from capital investment
Prepared under Canadian GAAP							
June 2009	1,235	199	812	(234)	(0.1)	(151)	(13)
September 2009	1,453	579	654	(344)	(0.1)	(165)	(26)
December 2009	3,193	743	845	211	0.1	(93)	(10)
Restated under IFRS							
March 2010	2,581	619	699	(21)	0.0	3	(37)
June 2010	1,765	523	483	(3,128)	(0.4)	(114)	(9)
September 2010	1,789	716	538	(992)	(0.1)	(1,478)	(7)
December 2010	777	1,401	1,235	(2,969)	(0.2)	(1,326)	(41)
March 2011	1,794	950	1,166	(1,617)	(0.1)	(1,769)	(27)

Note: Revenue in the table above excludes Development Income.

Production revenues decreased through 2010 as 2009 production programmes finished. The weak 2009 economy resulted in lower than normal order activity resulting in a declining customer production requirement through the following year.

Research and development expenditure has begun to increase compared with previous years reflecting the commencement of development activities related to opportunities presented by the investment from TAO UK and the commercial development contract with VSE.

Subsequent to the controlling investment made by TAO UK in June 2010, the Company no longer qualifies for R&D tax credit cash refunds under the UK SME R&D tax credit regime, which would previously have been used to reduce the Company's total research and development expenditure. In the year 2010 as a whole no tax credits were offset against such expenditure. The quarterly pattern, with reductions in the table below shown in brackets, was:

All amounts in £'000	Research and Product Development		
	Gross	Tax Credits	Net
June 2009	761	(562)	199
September 2009	829	(250)	579
December 2009	743	-	743
March 2010	694	(75)	619
June 2010	598	(75)	523
September 2010	716	-	716
December 2010	1,251	150	1,401
March 2011	950	-	950

Reconciliation of net loss to EBITDA result

	Quarter ended 31 March	
	2011	2010
	£'000	£'000
Net profit/(loss)	(1,617)	21
Add back:		
Interest income	-	-
Interest expense	30	169
Finance (gain)/charge	12	(175)
Foreign exchange gain	38	(48)
Amortisation	167	152
Stock Compensation	-	29
EBITDA profit/(loss)	<u>(1,370)</u>	<u>148</u>

Copies of Quarterly and Annual Results

The Company's full Financial Results and Managements' Discussion and Analysis for 2010, together with the First Quarter 2011 Financial Results and Managements' Discussion and Analysis are available on www.sedar.com and full 2010 financial statements will be mailed to shareholders during May 2011.

Copies of the quarterly and annual results are available from the Company's office at Unit 3 Summit Centre, Hatch Lane, West Drayton, Middlesex UB7 0LJ, United Kingdom or available to view from the Company's website at www.turbopowersystems.com

Review of the quarter ended 31 March 2011

Production revenue

Production revenue in the quarter ended 31 March 2011 was £2.08 million compared with £2.58 million in 2010

	2011 £'000	2010 £'000
Power electronics	1,582	1,629
Electrical machines	212	952
	<u>1,794</u>	<u>2,581</u>

Revenues at Electrical Machines decreased compared with 2010 due to the completion of a major milestone of an ongoing contract.

Development income

Development income in the quarter was £0.29 million compared with £0.53 million in 2010.

	2011 £'000	2010 £'000
Development income	<u>289</u>	<u>532</u>

Cost of Sales

The cost of sales in the quarter amounted to £1.40 million (2010: £1.70 million).

	2011 £'000	2010 £'000
Power electronics	1,217	1,075
Electrical machines	178	624
	<u>1,395</u>	<u>1,699</u>

Production costs include certain facilities costs attributable to the manufacturing operation.

Research and product development

Research and product development expenditure in the quarter was £0.95 million compared with £0.69 million (before R&D Tax credits of £0.07 million) in 2010.

	2011 £'000	2010 £'000
Research and product development expenditure	950	694
R&D Tax credits	-	(75)
Total expenditure	<u>950</u>	<u>619</u>

Subsequent to the controlling investment made by TAO UK in June 2010, the Company no longer qualifies for R&D tax credit cash refunds under the UK SME R&D tax credit regime, which would previously have been used to reduce the Company's total research and development expenditure.

General and administrative costs

General and administrative costs, which consist mainly of staff costs, facilities costs and the costs associated with the Company's public listings, were up by 67% from £0.70 million in 2010 to £1.17 million in 2011. The major element in the increase of £0.47 million was higher staff costs, partly as a result of increased headcount and partly because of a management restructuring cost of £0.14 million (2010: £ Nil).

Interest income

Interest income during both quarters was insignificant due to low cash balances maintained.

Interest expense and finance charges

Interest expenses arise from the loans from TAO UK (2010: from the issue of convertible bonds in March 2005 and June and August 2008) and comprise

	2011 £'000	2010 £'000
Interest payable	30	153
Accretion of debt	-	16
	<u>30</u>	<u>169</u>

Cash flows for the quarter ended 31 March 2011

Cash outflow from operating activities

Operating cash outflow before movements in working capital was £1.42 million for the quarter (2010: inflow £0.42 million)

Movements in working capital produced a net cash outflow of £0.35 million during the quarter (2010: £0.37 million).

Investing activities

Cash outflows from capital investments in the quarter were £0.03 million compared with £0.04 million in 2010.

Financing activities

Cash inflows in the quarter of £1.20 million relate to the increase in the loan from TAO UK (2010: outflow £0.26).

Overall cash outflow for the period

Overall the cash outflow during the quarter was £0.60 million. This compares with an overall cash outflow of £0.30 million for the first quarter of 2010.

Balance sheet as at 31 March 2011

The Company ended the period with an unrestricted cash balance of £0.20 million compared with £0.80 million at 31 December 2010. Substantially all of the Company's cash balances are denominated in Sterling.

In addition the Company had restricted cash amounts of £0.77 million (2010: £0.77 million), principally relating to performance bonds entered into as part of contracts with the Toronto Transit Commission and Bombardier.

Non-current assets (excluding restricted cash) have decreased from £1.07 million at 31 December 2010 to £0.93 million at 31 March 2011, after depreciation charges of £0.17 million.

Loans and borrowings (including accrued interest) increased from December 2010: £1.92 million to 31 March 2011: £3.15 million. The amounts are now shown as a current liability as the loan is repayable on 30 days notice expiring on or after 2 January 2012.

Net current liabilities at 31 March 2011, excluding restricted cash balances included under current assets, were (£2.73) million, compared with £0.70 million as at 31 December 2010.

As at 31 March 2011, the Company had 1,437,754,811 common shares issued and outstanding and 448,333,334 A ordinary shares issued and outstanding. As at that date there were 32,217,273 outstanding share options.

Contractual Obligations

	Total	Payments due by period £'000					
		2011	2012	2013	2014	2015	2016 and thereafter
Trade and other payables	4,127	4,127	-	-	-	-	-
Loan and borrowings	3,147	-	3,147	-	-	-	-
Operating leases	3,318	534	537	304	230	230	1,483
	<u>10,592</u>	<u>4,661</u>	<u>3,684</u>	<u>304</u>	<u>230</u>	<u>230</u>	<u>1,483</u>

Shareholders' equity

The movement in shareholders' equity comprised:

	2011 £'000
As at 1 January	(238)
Loss for the quarter	(1,617)
As at 31 March	<u>(1,855)</u>

As at 12 May 2011, the Company had 1,437,754,811 common shares issued and outstanding and 448,333,334 A ordinary shares issued and outstanding. As at that date there were 32,217,273 outstanding share options.

Liquidity

Cash, cash equivalents and short-term investments at 31 March 2011 were £0.20 million, compared with £0.80 million at 31 December 2010.

Restricted cash at 31 March 2011 was £0.77 million, compared with £0.77 million at 31 December 2010.

The Company reported a loss in the quarter of £1.62 million and has a cumulative deficit of £81.70 million. The Company's ability to continue as a going concern depends on its ability to generate positive cash flows from operations or secure additional debt or equity financing.

The Company has not changed its approach to Currency risk and Interest rate risk management from that of the prior year and as disclosed in the annual statements at 31 December 2010.

Currency risk management

Principally all of the Company's expenditure is denominated in Sterling, which is funded from Sterling cash balances. Exchange differences, which arise on consolidation of the Company's Canadian operations, are included in exchange adjustments within the income statement. At 31 March 2011 the Sterling equivalent of Canadian Dollar denominated net assets amounted to £49,000 (31 December 2010: net liabilities £103,000).

Interest rate risk management

The analysis of the Company's financial assets and borrowings analysed between floating and fixed interest rates is shown below;

	Mar 2011	Dec 2010
	£'000	£'000
Floating rate financial assets	976	1,572
Fixed rate borrowings	(3,100)	(1,900)

The fixed rate borrowings are at 6.0% per annum.

The Company invests surplus cash funds in short term money market deposits with financial institutions and cash funds which have at least a short term credit rating of F1. The maturity of the deposits is between one and three months.

Financial instruments

The Company's financial assets and liabilities consist primarily of the cash and cash equivalents, restricted cash, trade receivables, investments, trade payables, loan notes and currency option contracts.

Classification	Loans and receivables	Financial liabilities at amortised cost
	£'000	£'000
31 March 2011		
Asset (liability)		
Cash and cash equivalent	204	
Restricted cash	772	
Trade and other receivables	2,434	
Trade and other payables		(4,112)
Loan notes		(3,147)
Provisions		(1,293)
Total	<u>3,410</u>	<u>(8,552)</u>

Classification	Loans and receivables	Financial liabilities at amortised cost
	£'000	£'000
31 December 2010		
Asset (liability)		
Cash and cash equivalent	799	
Restricted cash	772	
Trade and other receivables	1,969	
Trade and other payables		(3,291)
Loan notes		(1,916)
Provisions		(1,293)
Total	3,540	(6,500)

The amounts at which the assets and liabilities above are recorded are considered to approximate to fair value.

Fair value estimation

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Company uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Techniques, such as estimated discounted cash flows, are used to determine fair value for the financial instruments. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the balance sheet date.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to the short-term nature of trade receivables and payables. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar financial instruments.

Financial Risk Management and Capital Structure

The Company's risk management programme remains as detailed in the Annual Report and Accounts 31 December 2010. There have been no significant changes since 31 December 2010.

Further information is provided in Management's Discussion and Analysis and the notes to the Financial Statements.

Related Party Transactions

During the period ended 31 March 2011 the Company undertook two significant transactions with related parties. In February 2011 the Company negotiated a loan facility from its majority investor TAO UK, which provided £0.8 million to support working capital requirements, bearing interest at 6% and being repayable upon request after 1 January 2012. In March 2011 the Company increased this loan by a further £0.4 million.

Subsequent to the period end, in April 2011 the Company extended the loan facility with TAO UK to provide an additional £2.2 million of working capital under the same terms taking the total loan to £5.3m.

Critical accounting policies and estimates

Included in the 2010 annual consolidated financial statements, as well as in the 2010 annual MD&A, the Board have identified the accounting policies and estimates that are critical to the understanding of the business and to the results of operations. On January 1, 2011, with the adoption of IFRS, the Board have updated the critical accounting policies and estimates. See notes 2 and 5 of the first quarter of 2011 interim consolidated financial statements for a description of the adoption of IFRS and a detailed discussion regarding the significant accounting policies and the application of critical accounting estimates and judgments.

These condensed consolidated interim financial statements have been prepared on the basis of International Financial Reporting Standards applicable to a 'going concern', which assume that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. As at 31 March 2011 the Company had net operating cash outflows. Therefore the Company may require additional funding which, if not raised, may result in the curtailment of activities.

Risks and uncertainties

The development and commercialisation plans for the Group's products presented in this Management's Discussion & Analysis are forward-looking statements and as such are subject to a number of risks and uncertainties including those detailed below.

The business entails risks and uncertainties that affect the outlook and eventual results of the business and commercialisation plans. The primary risks relate to meeting the product development and commercialisation milestones, which require that the products exhibit the functionality, cost, durability, and performance required in a commercial product.

There is a risk that the markets for certain of our products may never develop, or that market acceptance might take longer to develop than anticipated. Our business planning process recognises and, to the extent possible, attempts to manage these risks by pursuing diverse markets for each of our products. Within these markets our commercialisation plan is focused on products that we believe have a competitive advantage.

We develop both subsystems and complete systems across our high speed motors and generators and power electronics product ranges and these development programmes are subject to risk.

These risks include problems or delays due to technical difficulties and inability to meet design performance goals, including power output, life and reliability. We mitigate these risks to the extent possible through detailed project management, formal design reviews, reviews by external experts, contingency plans which anticipate likely problems, safety reviews, training and testing programs related to the operation and maintenance of the products.

We seek to maintain our technology lead through our strong intellectual property position, which will act as a barrier against competitors, and by continuing to invest in technology development. However, there can be no assurance that our present or future issued patents will protect our technology lead. We also rely upon know-how and trade secrets to maintain our technology lead. However, there is no assurance that this information can be completely protected.

Another market driver for products is the development of government policy related to the environment. Unfavourable decisions related to environmental policies (such as noise and exhaust emission levels) could result in delays in the introduction of our distributed power generation products. We mitigate, to the extent possible, the effects of changes in government regulations by developing products for diverse geographic locations.

We cannot predict with certainty our future revenues or results from our operations. If we experience significant cost overruns on any of our programs and we cannot obtain additional funds to cover such overruns or additional cash requirements, certain research and development activities may be delayed, resulting in changes or delays to our commercialisation plans. We may be required to raise additional capital through the issuance of equity or debt. We seek to mitigate this risk by securing funding commitments from a variety of sources and through adjustments to our development plans, by maintaining a substantial cash reserve, by being financially conservative in our expenditures and by maintaining good communications with investors and investment bankers to assist us should we need to access the public or private capital markets.

We are also subject to normal operating risks such as credit risks and foreign currency risks. Foreign currency sales and purchases are made in Sterling, Euros, Canadian and US Dollars. Over time, currency balances are matched, to the extent possible, to planned currency purchases.

Internal Control

The Board of Directors has overall responsibility for the accounting policies and ensuring that the Company maintains an adequate system of internal financial control to provide them with reasonable assurance that assets are safeguarded and of the reliability of financial information used for the business and for publication. There are inherent limitations in any system of internal financial control and, accordingly, even the most effective system can provide only reasonable, and not absolute, assurance with respect to the preparation of financial information and the safeguarding of assets.

Management, under the supervision and with the participation of the Chief Executive Officer and the Chief Financial Officer, is also responsible for establishing and maintaining adequate internal controls over financial reporting within the Company. Management have designed and evaluated the effectiveness of the Company's Internal Controls over Financial Reporting to provide reasonable assurance that the financial reporting is reliable and that the consolidated

financial statements are prepared in accordance with International Financial Reporting Standards. Based on the latest evaluation, management has concluded that the following potential weaknesses existed as at 31 March 2011, but that they are sufficiently mitigated through appropriately designed controls. Management has determined that these controls are effective and provide reasonable assurance that the financial reporting is reliable and in accordance with IFRS.

Limited resources

Given the Company's size, it has limited resources within the Finance department. This impacts on its ability to provide comprehensive knowledge in certain areas of financial accounting, as detailed below. The Company is highly reliant on the knowledge of a limited number of employees and on the performance of mitigating procedures during its financial close and consolidation process to ensure that the consolidated financial statements are presented fairly and in all material respects.

Income taxes

Income tax law is a highly technical area that requires an in-depth understanding of national, international, federal and provincial tax laws and the Company's Finance staff has only a fair and reasonable knowledge of the rules related to income tax accounting and reporting. Although this represents a weakness in the Company's control environment, the Company retains and will continue to retain the services of external experts to provide advice and guidance on income tax accounting and disclosures. The Company does not consider that this weakness in control environment has resulted in any material misstatements of the financial statements.

Complex and non-routine transactions

At times the Company records complex and non-routine transactions which are extremely technical in nature and require an in-depth understanding of IFRS. The Company's Finance staff has a fair and reasonable knowledge of the rules related to IFRS. There is potential that these transactions could be recorded incorrectly resulting in potential material misstatement of the financial statements of the Company. Where the Company identifies a transaction as potentially complex or non-routine it will utilize the services of external experts to provide guidance and advice.

Turbo Power Systems Inc.

Consolidated interim statement of comprehensive income

Unaudited

	Quarter ended 31 March	
	2011	2010
	£'000	£'000
Continuing operations		
Revenue	2,083	3,113
Cost of sales	(1,395)	(1,699)
Gross profit	688	1,414
Expenses		
Distribution costs	(159)	(123)
Research and product development	(950)	(619)
General and administrative	(1,166)	(699)
Total expenses	(2,275)	(1,441)
Operating (loss)/profit	(1,587)	(27)
Finance income	-	175
Finance expense	(30)	(169)
(Loss) before tax	(1,617)	(21)
Income tax expense	-	-
Net loss for the period	(1,617)	(21)
Total comprehensive loss for the period attributable to equity shareholders	(1,617)	(21)
Loss per share – basic and diluted	0.1p	0.0p

The Notes on pages 26 to 48 form an integral part of these condensed consolidated interim financial statements.

Turbo Power Systems Inc.

Consolidated interim statement of financial position

Unaudited

	Notes	As at 31 March 2011 £'000	As at 31 December 2010 £'000	As at 1 January 2010 £'000
Non-current assets				
Property, plant and equipment		926	1,066	1,066
Restricted cash		320	320	169
		<u>1,246</u>	<u>1,386</u>	<u>1,235</u>
Current assets				
Restricted cash		452	452	645
R&D tax credits receivable		350	350	350
Inventories		2,376	1,656	1,943
Trade and other receivables		2,084	1,619	2,092
Cash and cash equivalents		204	799	649
		<u>5,466</u>	<u>4,876</u>	<u>5,679</u>
Total assets		<u>6,712</u>	<u>6,262</u>	<u>6,914</u>
Current liabilities				
Trade and other payables	13	4,127	3,291	3,518
Loans and borrowings	14	3,147	-	261
Provision for other liabilities and charges		470	430	-
		<u>7,744</u>	<u>3,721</u>	<u>3,779</u>
Non-current liabilities				
Loans and borrowings	14	-	1,916	3,386
Provision for other liabilities and charges		823	863	100
		<u>823</u>	<u>2,779</u>	<u>3,486</u>
Total liabilities		<u>8,567</u>	<u>6,500</u>	<u>7,265</u>
Net Liabilities		<u>(1,855)</u>	<u>(238)</u>	<u>(351)</u>
Equity (deficit)				
Share capital	15	62,862	62,862	56,225
Convertible shares		15,310	15,310	13,310
Other reserves		1,681	1,681	3,095
Accumulated deficit		(81,708)	(80,091)	(72,981)
Equity (deficit) attributable to shareholders of the company		<u>(1,855)</u>	<u>(238)</u>	<u>(351)</u>

Approved by the Board:
J J M Pessoa, Chairman
12 May 2011

The Notes on pages 26 to 48 form an integral part of these condensed consolidated interim financial statements.

Turbo Power Systems Inc.

Consolidated interim statement of changes in equity

Unaudited

	Common Share capital £'000	Convertible Shares £'000	Convertible loan notes £'000	Contributed surplus £'000	Accumulated deficit £'000	Total £'000
Balance at 1 January 2010	56,225	13,310	1,501	1,594	(72,981)	(351)
Net profit	-	-	-	-	(21)	(21)
Stock compensation	-	-	-	29	-	29
Share conversion	289	-	(234)	-	-	55
Expiry of warrants	437	-	(437)	-	-	-
Balance at 31 March 2010	56,951	13,310	830	1,623	(73,002)	(288)
Balance at 1 January 2010	56,225	13,310	1,501	1,594	(72,981)	(351)
Net loss	-	-	-	-	(7,110)	(7,110)
Stock compensation	(21)	-	-	87	-	66
Share conversion	289	-	(708)	-	-	(419)
Expiry of warrants	849	-	(793)	-	-	56
Issue of shares	5,520	2,000	-	-	-	7,520
Balance at 31 December 2010	62,862	15,310	-	1,681	(80,091)	(238)
Net loss	-	-	-	-	(1,617)	(1,617)
Balance at 31 March 2011	62,862	15,310	-	1,681	(81,708)	(1,855)

The Notes on pages 26 to 48 form an integral part of these condensed consolidated interim financial statements.

Turbo Power Systems Inc.

Consolidated interim statement of cash flows

Unaudited

	Notes	Quarter ended 31 March	
		2011 £'000	2010 £'000
Operating activities			
Loss for the period	7	(1,617)	(21)
Adjustments for:			
Net finance costs		30	262
Depreciation of property, plant and equipment		167	152
Share based payment expenses	15	-	29
Operating cashflows before movements in working capital		(1,420)	422
Changes in working capital items			
Increase in inventories		(720)	(145)
(Decrease)/increase in restricted cash		-	(86)
(Decrease)/increase in trade and other receivables		(495)	605
Increase/(decrease) in trade and other payables		867	(743)
Cash generated by operations		(1,768)	53
Interest paid		-	(50)
Net cash from operating activities		(1,768)	3
Investing activities			
Purchase of property, plant and equipment		(27)	(37)
Net cash used in investing activities		(27)	(37)
Financing activities			
Increase/(repayment) of borrowings	14	1,200	(261)
Net cash used in/from financing activities		1,200	(261)
Net increase/(decrease) in cash and cash equivalents		(595)	(295)
Cash and cash equivalents at the beginning of year		799	649
Cash and cash equivalents at the end of year		204	354

The Notes on pages 26 to 48 form an integral part of these condensed consolidated interim financial statements.

Turbo Power Systems Inc.

Notes to the condensed consolidated interim financial statements

Unaudited

1 Reporting entity

The Company is subsisting pursuant to the Business Corporations Act (Yukon Territory). The Company's registered office is Suite 200-204 Lambert Street, Whitehorse, Yukon Y1A 3T2, Canada.

The Company conducts operations through its wholly owned subsidiary company, Turbo Power Systems Limited ("TPSL") and the main trading address is Unit 3, Heathrow Summit Centre, Skyport Drive, Hatch Lane, West Drayton, Middlesex UB7 0LJ, United Kingdom.

The Company's parent undertaking is TAO Sustainable Power Solutions (UK) Limited ("TAO UK"), a company registered in England and Wales, UK. The Company's ultimate parent company is Vale Soluções em Energia S.A. ("VSE"), a company registered in Brazil.

These consolidated financial statements of the Company as at and for the quarter ended 31 March 2011 comprise the Company and its subsidiaries.

TPSL has initiated commercialisation of its technology in relation to high speed permanent-magnet machine systems for power generation and industrial motor applications at its London location, whilst its operation based in North East England is an established provider of advanced power electronics.

2 Going concern

These condensed consolidated interim financial statements have been prepared on the basis of International Financial Reporting Standards applicable to a 'going concern', which assume that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. As at 31 March 2011 the Company had net operating cash outflows. Therefore the Company may require additional funding which, if not raised, may result in the curtailment of activities. The Company has a cumulative deficit of £81.70 million as at 31 March 2011.

At 31 March 2011 the Company had an unrestricted cash balance of £0.20 million and held further cash of £0.45 million associated with performance bonds. If the Company is unable to generate positive cash flow from operations or secure additional debt or equity financing these conditions and events would cast substantial doubt regarding the "going concern" assumption and, accordingly, the use of accounting principles applicable to a going concern. These consolidated financial statements do not reflect adjustments to the carrying values of the assets and liabilities, the reported expenses and the balance sheet classifications, which could be material, which would be necessary if the "going concern" assumption were not appropriate.

On 25 February 2011 the Company announced that it had extended the loan financing agreement with its principal shareholder, TAO UK, to provide the Company with access to a further £0.8 million of debt financing to support working capital requirements. On 28 March 2011 the Company announced that it had increased this facility with an additional £0.4 million.

Turbo Power Systems Inc.

Notes to the condensed consolidated interim financial statements

Unaudited

Subsequent to the period end, on 15 April 2011 the Company announced that it had increased this facility with an additional £2.2 million on the same terms, taking the total loan to £5.3m.

The Directors regularly reviews and considers the current and forecast activities of the Company in order to satisfy themselves as to the viability of operations. These ongoing reviews include consideration of current order book and future business opportunities, current development and production activities, customer and supplier exposure and forecast cash requirements and balances. Based on these evaluations the Directors consider that the Company is able to continue as a going concern.

3 Basis of preparation

The Company's consolidated financial statements were prepared in accordance with Canadian Generally Accepted Accounting Principles (Canadian GAAP) until 31 December 2010. As from January 1, 2011, publicly accountable enterprises are required to adopt IFRS. Accordingly, we have commenced reporting on this basis in these condensed consolidated interim financial statements.

These condensed consolidated interim financial statements (the interim financial statements) have been prepared in accordance with IAS 34 *Interim Financial Reporting*. These are the Company's first IFRS interim financial statements for part of the period covered by the first International Financial Reporting Standards (IFRS) annual financial statements and IFRS 1 *First-time Adoption of International Financial Reporting Standards* relevant to interim reports has been applied. They do not include all of the information required for full annual financial statements.

These interim financial statements have been prepared in accordance with the accounting policies set out in note 4 which are based on the recognition and measurement principles of IFRS in issue and are effective at 31 March 2011 or are expected to be adopted and effective at 31 December 2011, our first annual reporting date at which we are required to use IFRS.

An explanation of how the transition to IFRSs has affected the reported financial position, financial performance and cash flows of the Company is provided in note 6. This note include reconciliations of equity and total comprehensive income for comparative periods and of equity at the date of transition reported under Canadian GAAP and to those reported for those periods and at the date of transition under IFRSs.

IFRS 1, which governs the first-time adoption of IFRS, generally requires accounting policies to be applied retrospectively to determine the opening balance sheet on our transition date of 1 January 2010, and allows certain exemptions on transition to IFRS. These interim financial statements have been prepared on the basis of taking the following exemptions:

Borrowing costs have not been capitalised as part of the costs of qualifying assets prior to 1 January 2010.

The unaudited interim financial statements were authorised for issuance by the Board of Directors on May 12, 2011.

Turbo Power Systems Inc.

Notes to the condensed consolidated interim financial statements

Unaudited

The interim financial statements have been prepared under the historical cost convention, except for the revaluation of certain financial instruments.

The interim financial statements are presented in £ sterling, rounded to the nearest £1,000, which is the Company's functional and presentation currency.

4 Significant accounting policies

Revenue

Products sold

Revenue from sales of products is measured at the fair value of the consideration received or receivable, net of value added tax or local tax, and is recognised upon the delivery of the product and transfer of title to the customer provided the price is fixed and determinable and collection is reasonably assured.

Development contracts

Where the outcome of a development contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date, measured as the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

Where the outcome of a development contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When costs incurred on development contracts plus recognised profits (less recognised losses) exceeds billings to contract customers, the balance is shown as amount due from contract customers. When billings to contract customers exceed costs incurred plus recognised profits (less recognised losses), the balance is shown as amount due to contract customers

Cost of sales

Cost of sales includes the direct costs of goods sold together with attributed production overheads. Direct costs include material costs, direct labour and direct expenses

Leases

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Other leases are operating leases and are not recognized in the Company's balance sheet.

Turbo Power Systems Inc.

Notes to the condensed consolidated interim financial statements

Unaudited

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Basis of consolidation

Subsidiaries are entities that are controlled by the Company. All of the Company's subsidiaries are wholly-owned. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control is transferred to the Company until the date that control ceases. All significant inter-company balances and transactions have been eliminated.

Foreign currency translation

(a) Functional and presentation currency

Items included in the interim financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The interim consolidated financial statements are presented in £ sterling, which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of comprehensive Income.

(c) Group companies

The results and financial position of all group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) income and expenses for each income statement are translated at average exchange rates; and
- (iii) all resulting exchange differences are recognised as a separate component of equity (cumulative translation adjustment).

Exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity on consolidation. When a foreign operation is sold, such exchange differences are recognised in the Statement of Comprehensive Income as part of the gain or loss on sale.

Capitalisation of borrowing costs and interest

The Company capitalises interest borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset.

Turbo Power Systems Inc.

Notes to the condensed consolidated interim financial statements

Unaudited

Qualifying assets are those that take a substantial period to get ready for intended use or sale.

Government grants

Government grants received from Government and Public bodies are recognized initially as deferred income at fair value when there is reasonable assurance that they will be received and the Company will comply with the conditions associated with the grant. Grant income related to job creation activities is offset against employment charges within the statement of comprehensive income. Grant income related to property, plant and equipment within the operation is recorded as deferred revenue and amortised to the statement of comprehensive income in the same manner as the depreciation of the related capitalised assets.

Pension costs

The Company operates and contributes to a number of defined contribution pension plans. The assets of the plans are held separately from those of the Company in independently administered funds. Contributions are recognised as an employee benefit expense in profit or loss in the period in which the related services were performed.

Taxation including deferred taxation

The tax expense comprises the sum of tax currently payable and deferred tax.

The tax currently payable is based on taxable profits for the year. Taxable profit differs from net profit as reported in the statement of comprehensive income because it excludes items of income and expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred tax is measured at the tax rates that are expected to apply in the periods in which the temporary differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis and is provided to the extent that it is considered more likely than not that an asset will crystallise in the foreseeable future.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax assets and liabilities are not discounted.

Earnings per share (EPS)

EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the company by the weighted average number of common shares issued and outstanding during the year.

Diluted per share amounts are calculated using the treasury stock method whereby proceeds deemed to be received on the exercise of options and warrants in the per share calculation are assumed to be used to acquire common shares.

Turbo Power Systems Inc.

Notes to the condensed consolidated interim financial statements

Unaudited

Property, plant and equipment

Assets are stated at cost less accumulated depreciation and impairment. Cost is the initial purchase price plus any costs associated with bring the asset to the current location and condition.

Depreciation is calculated over the depreciable amount, which is the cost of an asset less its residual value.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

Leasehold improvements: Over the period of the lease.

Plant and office equipment: 4 to 7 years.

Provision is made against the carrying value of assets where impairment in value is deemed to have occurred.

Computer software that is not integral to the operation of the computer hardware is classified as an intangible asset.

Intangible assets

Intangible assets arise from internally generated assets and other acquired intangible assets.

Research and development

Expenditure on research activities, undertaken with the prospect of gaining new technical knowledge and understanding, is recognized in profit or loss as incurred.

Product development costs, which comprise direct expenditure including salary expenses and attributed overheads, are also charged to the profit and loss in the period of expenditure, unless individual projects meet the definition of intangible assets and satisfy all of the following criteria:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale.
- the intention to complete the intangible asset and use or sell it.
- the ability to use or sell the intangible asset.
- the intangible asset will generate probable future economic benefit.
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Tax credits received by cash settlement in respect of research and product development activities are netted against the related expenditure.

Turbo Power Systems Inc.

Notes to the condensed consolidated interim financial statements

Unaudited

Assets are stated at cost less amortization. Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives are as follows:

	Years
Internally generated development costs	3 to 5
Computer software and licences	4
Patent rights and design	7

Provision is made against the carrying value of assets where impairment in value has occurred.

Impairment of property plant and equipment (PPE) and intangible assets excluding goodwill

At each balance sheet date the Company assesses whether there is any indication that its intangible assets and PPE may be impaired. Where an indicator of impairment exists the Company makes an estimate of the recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is written down to its recoverable amount. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses are recognised as expenses in the statement of comprehensive income immediately. If an impairment loss subsequently reverses the carrying amount of the asset, or cash generating unit, is increased to the lower of the recoverable amount and the original carrying value before it was impaired less the depreciation or amortisation which would have been charged in the period between the impairment recognition and subsequent reversal. A reversal of an impairment loss is recognised in the statement of comprehensive income immediately.

Inventories

Inventories are valued at the lower of purchase cost, using the First In First Out (FIFO) method, and estimated net realisable value.

Purchase cost is defined as the initial cost to purchase the goods, labour and attributable overhead.

Net realizable value, including a review of obsolete, slow moving and defective inventory, is based on the sales value of the inventory less any additional costs to complete and sell.

Turbo Power Systems Inc.

Notes to the condensed consolidated interim financial statements

Unaudited

Cash and cash equivalents

Cash is defined as cash on hand and on demand deposits. Cash equivalents are short term, highly liquid investments with original maturities of three months or less.

Deposits with maturities of over three months are classified as short term investments.

Restricted Cash

Cash held under guarantee and performance bonds are those funds subject to restrictions regarding their release. Deposits with maturities of less than 12 months are classified as current assets; those over 12 months are non-current assets.

Non-derivative financial assets and liabilities

Financial assets and liabilities are initially recognised at fair value and are subsequently accounted for based on their classification as loans and receivables or as other liabilities. Transaction costs for financial assets classified as loans and receivables and financial liabilities classified as other liabilities are capitalized. Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables comprise of trade and other receivables, R&D tax credits receivable, cash and cash equivalents, and restricted cash. Subsequent to initial recognition these loans and receivables are measured at amortised cost using effective interest method, less provision for impairment. Any change in their value through impairment or reversal of impairment is recognised in the statement of comprehensive income.

Provision against trade receivables is made when there is objective evidence that the Company will not be able to collect all amounts due to it in accordance with the original terms of those receivables. The amount of the impairment is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows.

A financial asset is derecognised only where the contractual rights to cash flows from the asset expire.

All liabilities are classified as other liabilities. The Group has the following non-derivative financial liabilities: loans and borrowings, and trade and other payables. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

On issue of convertible notes, the cost of the liability portion is initially calculated using the market interest rate for an equivalent non-convertible instrument. The remainder of the net proceeds is allocated to the equity conversion option and warrants, if applicable, which is reported in equity. The value of the equity conversion option is not changed in future periods.

Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by

Turbo Power Systems Inc.

Notes to the condensed consolidated interim financial statements

Unaudited

discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

A provision for warranty costs is recognised at the time the Company sells its products and is included in production costs. Warranty liability represents the Company's best estimate of warranty costs expected to be incurred during the warranty period. The Company uses historical failure rates and costs of repair of defective products together with information on known product issues to estimate the warranty liability.

Provision is made for any dilapidations that might be necessary on the vacation of any leased property. Such dilapidations are based on the directors' best estimate of the future costs involved discounted to the net present value.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Company recognises any impairment loss on the assets associated with that contract.

Share capital

The Company has authorised share capital of an unlimited number of common shares and an unlimited number of preferred shares, issuable in series, without nominal or par value.

Dividends are accounted for within the period that they are declared.

Share based payment

The Company regularly enters into equity settled share based payment transactions with employees.

The fair value of the employee services received in exchange for the grant of the options or shares is recognised as an expense. The total amount to be expensed rateably over the vesting period is determined by reference to fair value of the options or shares determined at the grant date, excluding the impact of any non market vesting conditions (for example, profit targets).

Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable or the number of shares that the employee will ultimately receive. This estimate is revised at each balance sheet date and the difference is charged or credited to the income statement, with a corresponding adjustment to equity. The proceeds received on exercise of the options net of any directly attributable transaction costs are credited to equity.

New standards and interpretations not yet adopted

Financial instruments

The IASB has issued IFRS 9 "Financial Instruments" which proposes to replace IAS 39. The replacement standard has the following significant components: establishes two primary measurement categories for financial assets - amortized cost and fair value; establishes criteria

Turbo Power Systems Inc.

Notes to the condensed consolidated interim financial statements

Unaudited

for classification of financial assets within the measurement category based on business model and cash flow characteristics; and eliminates existing held to maturity, available for sale and loans and receivable categories. This standard is effective for the Company's annual year end beginning January 1, 2013. The Company will evaluate the impact of the change to its financial statements at the time of adoption.

IFRS 7 "Financial instruments - Disclosures" ("IFRS 7") was amended by the IASB in October 2010 and provides guidance on identifying transfers of financial assets and continuing involvement in transferred assets for disclosure purposes. The amendments introduce new disclosure requirements for transfers of financial assets including disclosures for financial assets that are not derecognized in their entirety, and for financial assets that are derecognized in their entirety but for which continuing involvement is retained. The amendments to IFRS 7 are effective for annual periods beginning on or after July 1, 2011. The Company will evaluate the impact of the change to its financial statements at the time of adoption.

5 Critical accounting judgements and key sources of estimation uncertainty

These condensed consolidated interim financial statements have been prepared on the basis of International Financial Reporting Standards applicable to a 'going concern', which assume that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. As at 31 March 2011 the Company had net operating cash outflows. Therefore the Company may require additional funding which, if not raised, may result in the curtailment of activities. The Company has a cumulative deficit of £81.70 million as at 31 March 2011.

Further information on Going Concern is provided in Note 2.

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, revenue and expenses and the related disclosures of contingent assets and liabilities. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

Estimates and underlying assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future period affected.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

i) Revenue recognition

The Company uses forecast project costs together with known costs for the projects to date to estimate the total forecast project cost. These are then used in the calculation of the project completion in line with the accounting policy.

Turbo Power Systems Inc.

Notes to the condensed consolidated interim financial statements

Unaudited

The ultimate amount of costs incurred on a project will depend on future activities and expenses incurred.

Accordingly the Company is exposed to potential fluctuations in revenue arising from potential project cost overruns.

ii) *Warranty provision* The Company uses historical failure rates and costs of repair of defective products together with information on known product issues to estimate the warranty liability.

The ultimate amount payable by the Company and the timing will depend on actual failure rates and cost to repair failures of its products.

Since many of the Company's products are relatively new in the market, historical data may not necessarily reflect actual costs to be incurred; accordingly this exposes the Company to the potential for significant fluctuations in the warranty liability.

iii) *Impairment of long lived assets.* Long lived assets comprise property, plant and equipment, and intangible assets subject to depreciation and amortisation.

The Company regularly reviews the carrying value of all of these items for potential impairment when events or changes in circumstances exist that indicates the carrying value may not be fully recoverable.

iii) *Income taxes* The Company has conducted a study of its internal policies with respect to the basis of cost sharing for common overheads within the consolidated group. The consolidated income tax disclosures provided herein have been based on management's best estimate based on a cost sharing formula that is a fair and representative method of allocating costs incurred on the consolidated level to the entities in the consolidated group. This basis of cost sharing is subject to assessment by taxation authorities. Until the time frame for reassessment has been statute barred or the taxation authorities have reviewed and not objected to the tax filings, there is a possibility that a reassessment can occur.

The Company follows the cost reduction method of accounting for tax credits. Tax credits related to current expenditures are included in the determination of net income for the current year. These claims are subject to audit by the UK's HM Revenue and Customs. Any revisions resulting from such audits are to be charged back to the related cost on a prospective basis.

iv) *Share based payment expense.* The calculation of the share based payment expense is subject to assumptions and judgement involved in the valuation models and expected dividend and lapse rates.

v) *Slow moving inventory.* Management use their judgment to assess whether inventory is obsolete or slow moving. Management use their best estimate of the expenditure required to value the underlying inventory based on purchase cost as defined as the initial cost to purchase the goods, labour and attributable overhead. Net realizable value, based on Management's best estimate of the sales value of the inventory less any additional costs to complete and sell

Turbo Power Systems Inc.

Notes to the condensed consolidated interim financial statements

Unaudited

vi) *Useful life of property, plant, equipment and intangible.* Management use their judgment to assess the useful lives of capital assets.

vii) *Development* The Company capitalizes development costs that satisfy the criteria under the standard. As such the management made assumptions about the future profitability of the products and the carrying value of the development costs. If any of the projects were not to sell as well as management had estimated then this would affect the carrying value of the development cost included within intangible assets.

viii) *Research & Development tax credits receivable*

Up until 31 December 2009, the Company accrued for tax credits receivable relating to certain research and development expenditure incurred by the Company. Subsequent to the majority investment in the Company by TAO UK in June 2010, the Company no longer qualifies for the UK SME R&D tax credit scheme. The accrued amounts are based on determinations by management of expenditures that qualify for the related tax credits. The nature and amount of these accruals are subject to measurement uncertainty and the effect on the consolidated financial statements of resulting adjustments in future periods could be significant. Adjustments, if any, will be reflected in the period that the relevant taxation authorities assess the tax claims. As at 31 March 2011, tax debtors recoverable included £350,000 (2010: 350,000) of accrued tax credits.

6 Changes in accounting policies on adoption of IFRS

We adopted IFRS on 1 January 2011 and our unaudited consolidated interim financial statements for the three months period ended 31 March 2011 are our first interim financial statements. In accordance with IFRS 1, we have applied IFRS retrospectively to our comparative data as at 1 January 2010, the Transition date.

An explanation of how the transition from Canadian GAAP to IFRS has affected the Company's financial position, financial performance and cash flows is set out below. The following reconciliations are provided:

- (a) Reconciliation of equity at the date of transition, 1 January 2010, to IFRS;
- (b) Reconciliation of equity at 31 March 2010
- (c) Reconciliation of equity at 31 December 2010;
- (d) Reconciliation of net earnings for the year ended 31 December 2010;
- (e) Reconciliation of net earnings for the quarter ended 31 March 2010.
- (f) Any material adjustments to the prior year cash flow statement.

Turbo Power Systems Inc.

Notes to the condensed consolidated interim financial statements

Unaudited

Reconciliation of equity:

	1 January 2010 £'000	31 March 2010 £'000	31 December 2010 £'000
Equity in accordance with Canadian GAAP	(341)	(236)	(228)
Holiday pay accrual	(10)	(52)	(10)
Equity in accordance with IFRS	<u>(351)</u>	<u>(288)</u>	<u>(238)</u>

Reconciliation of net earnings:

	31 March 2010 £'000	31 December 2010 £'000
Net earnings in accordance with Canadian GAAP	21	(7,110)
Holiday pay accrual	(42)	-
Net earnings in accordance with IFRS	<u>(21)</u>	<u>(7,110)</u>

Notes to the reconciliations

Under IAS 32 the convertible shares have been classified as an equity instrument and classified as a part of shareholders equity. Previously under Canadian GAAP this was classified as an equity instrument but classified as a non-controlling interest.

IAS 19 Employee benefits

Under Canadian GAAP, the company did not meet the criteria for accruing outstanding staff holiday pay at the balance sheet date. IFRS requires that the accrual be calculated at each balance sheet date.

Cash Flow statement

The adoption of IFRS did not significantly impact our cash flows compared to Canadian GAAP.

7 Segmental analysis

The Company's two reportable segments are the power electronics segment, which is involved in the development and manufacture of electrical power supply and control systems and the electrical machines segment, which is involved in the development and commercialisation of high speed electrical machines.

Corporate charges relating to the financing of the Company and other related management activities are allocated between the two reportable segments.

Turbo Power Systems Inc.

Notes to the condensed consolidated interim financial statements

Unaudited

The power electronics and electrical machines systems segments both operate in the United Kingdom. Except for the Investments held by the Company which are located in Canada, all of the Company's assets are located in the United Kingdom.

31 March 2011	Power electronics	Electrical machines	Elimination	Total
	£'000	£'000	£'000	£'000
Revenue - external	1,582	212	-	1,794
Revenue - internal	107	-	(107)	-
Development income - external	168	121	-	289
	<u>1,857</u>	<u>333</u>	<u>(107)</u>	<u>2,083</u>
Segment result	(534)	(1,053)	-	(1,587)
Finance expense	-	(30)	-	(30)
Profit/(loss) attributable to equity shareholders	(534)	(1,083)	-	(1,617)
Total assets	2,601	4,111		6,712
Total liabilities	(2,813)	(5,743)		(8,556)

Turbo Power Systems Inc.

Notes to the condensed consolidated interim financial statements

Unaudited

31 March 2010	Power electronics	Electrical machines	Elimination	Total
	£'000	£'000	£'000	£'000
Revenue - external	1,629	952	-	2,581
Development income - external	532	-	-	532
	<u>2,161</u>	<u>952</u>		<u>3,113</u>
Segment result	266	(292)		(26)
Finance income	-	174		174
Finance expense	(85)	(84)		(169)
Profit/(loss) attributable to equity shareholders	181	(202)		(21)
Total assets	3,833	2,429		6,262
Total liabilities	(3,611)	(2,889)		(6,500)

Geographic Segmental Information

Total Revenues by destination

	Quarter ended 31 March	
	2011 £'000	2010 £'000
UK	581	261
USA	746	2,526
Canada	472	314
Rest of world	284	12
	<u>2,083</u>	<u>3,113</u>

All property, plant and equipment was located within the United Kingdom during both periods ended 31 March 2011 and 31 March 2010.

Turbo Power Systems Inc.

Notes to the condensed consolidated interim financial statements

Unaudited

8 Loss for the period

Profit/(loss) for the period has been arrived at after charging/(crediting):

Quarter ended 31 March

	2011	2010
	£'000	£'000
Employee costs	1,461	1,109
Cost of inventories recognised as expense	1,101	1,278
Net foreign exchange losses/(gains)	38	(48)
Depreciation of property, plant and equipment	167	152

9 Staff costs and employees

Staff costs for all employees, including directors, consist of:

Quarter ended 31 March

	2011	2010
	£'000	£'000
Wages and salaries	1,175	990
Social security costs	127	100
Pension costs	19	19
Stock compensation adjustment	-	
Redundancy and termination payments	140	
	<u>1,461</u>	<u>1,109</u>

Turbo Power Systems Inc.

Notes to the condensed consolidated interim financial statements

Unaudited

10 Significant customers

In the period to 31 March 2011, 49% of the Company's sales were derived from three customers (2010: 62% from two customers), each of whom represented 10% or more of the Company's sales.

	Segment	Total revenue Quarter ended 31 March		Accounts receivable	
		2011 £'000	2010 £'000	31 March 2011 £'000	31 Dec 2010 £'000
Customer 1	Power electronics	430	1,268	280	525
Customer 2	Power electronics	408	341	189	23
Customer 3	Power electronics	192	251	69	131
		<u>1,030</u>	<u>1,860</u>	<u>538</u>	<u>679</u>
Others		1,053	1,253	924	412
		<u>2,083</u>	<u>3,113</u>	<u>1,462</u>	<u>1,091</u>

11 Loss per share

Loss per common share has been calculated using the weighted average number of shares in issue during the relevant financial periods.

	Quarter ended 31 March	
	2011	2010
Numerator for basic loss per share calculation:		
Profit/(loss) attributable to equity shareholders	(1,617,000)	(£21,000)
Denominator:		
For basic net loss – weighted average shares outstanding	1,437,754,811	348,852,722
Basic and diluted		
Loss per common share – pence	0.1p	0.0p

As the Company experienced a loss in both years all potential common shares outstanding from dilutive securities are considered anti-dilutive and are excluded from the calculation of diluted loss per share.

Turbo Power Systems Inc.

Notes to the condensed consolidated interim financial statements

Unaudited

Details of anti-dilutive potential securities outstanding not included in EPS calculations at 31 March are as follows:

	Quarter ended 31 March	
	2011	2010
Common shares potentially issuable:		
- pursuant to warrants	-	12,857,142
- under stock options	32,217,278	25,310,000
- pursuant to loan note conversions	-	75,000,000
- pursuant to A Ordinary stock conversion	448,333,334	115,000,000
	<u>480,550,612</u>	<u>228,167,142</u>

12 Subsidiaries

Details of the Company's subsidiaries, all of which are included in the consolidation, are as follow:

	Trading status	Place of incorporation	% ownership
Turbo Power Systems Limited (TPSL)	Trading	England	100%
Turbo Power Systems Development Limited	Dormant	England	100%
Turbo Power Systems N.A. LLC	Dormant	USA	100%
Intelligent Power Systems Limited	Dormant	England	100%
Nada-Tech Limited	Dormant	England	100%

13 Trade and other payables

	31 March 2011 £'000	31 Dec 2010 £'000
Trade creditors	1,712	1,340
Other creditors	666	584
Deferred income	1,219	1,020
Government grants	55	55
Accruals	475	292
	<u>4,127</u>	<u>3,291</u>

Trade creditors and other payables principally comprise amounts outstanding for trade purchases and ongoing costs.

The directors consider that the carrying amount of trade payables approximates to their fair value.

Turbo Power Systems Inc.

Notes to the condensed consolidated interim financial statements

Unaudited

14 Loans and borrowings

On 22 October 2010 the Company agreed to a £1,900,000 loan with TAO UK, which bears interest at 6% per annum and is repayable upon demand commencing 2 January 2012. On 28 October 2010 the Company was advanced £1,200,000 of this loan, and the remaining £700,000 was advanced on 26 November 2010. The loan is secured by a fixed and floating charge over the assets of the Company's subsidiary TPSL.

On 25 February 2011 the Company agreed to extend the terms of this loan and advance an additional £800,000 under the same conditions.

On 28 March 2011 the Company agreed to extend the terms of this loan and advance an additional £400,000 under the same conditions.

Subsequent to the period end, on 15 April 2011 the Company agreed to extend the terms of this loan and advance an additional £2,200,000 under the same conditions, taking the total loan to £5.3m.

	31 March 2011 £'000	31 Dec 2010 £'000
Balance at 1 January included in creditors		
Due within one year	-	261
Due after more than one year	1,917	3,386
Add: issued during the year	1,200	1,900
Less: extinguished during the year	-	(3,211)
Less: converted during the year	-	(55)
	<u>3,117</u>	<u>2,281</u>
Add: accretion of debt component during the period	-	101
Add: deferred finance charges	-	171
Add: interest accrued	30	248
Less: interest paid during the period	-	(885)
Balance at end of period	<u>3,147</u>	<u>1,916</u>
Analysed:		
Due within one year	3,147	-
Balance included in creditors due after more than one year	-	1,916

Turbo Power Systems Inc.

Notes to the condensed consolidated interim financial statements

Unaudited

15 Share capital and options

Authorised

At 31 March 2011 and 31 December 2010, the authorised share capital of the Company comprised an unlimited number of common shares and an unlimited number of preferred shares, issuable in series, without nominal or par value.

Issued	Number	£'000
At 1 January 2010	341,398,222	56,225
Shares issued	<u>1,096,356,589</u>	<u>6,637</u>
At 31 December 2010	1,437,754,811	62,862
Shares issued	<u>-</u>	<u>-</u>
At 31 March 2011	<u>1,437,754,811</u>	<u>62,862</u>

Potential issue of common shares

The Company has issued share options under the 2002 Stock Option Plan and A Ordinary Shares in Turbo Power Systems Limited that are convertible into common shares of the Company.

	31 March 2011	31 Dec 2010
Share options outstanding	32,217,278	56,399,091
Convertible shares (A Ordinary shares)	<u>448,333,334</u>	<u>448,333,334</u>
	<u>480,550,612</u>	<u>504,732,425</u>

Convertible shares

Holders of A Ordinary Shares of TPSL carry no voting rights, cannot attend any shareholder meetings and, in the event of winding-up of the Limited Company are entitled to a maximum distribution of £500,000 in aggregate, to rank before the Common Shares. The A Ordinary shares are convertible into an equal number of Common Shares of TPSL on request by the holder, having given 61 days notice. Under certain take over or change in control events, the Ordinary Shares are exchangeable under "super exchange" rights, converting for 3 common shares of the Company for every Ordinary Share held.

Turbo Power Systems Inc.

Notes to the condensed consolidated interim financial statements

Unaudited

2002 Stock Option Plan

The movements in the outstanding stock options granted under the 2002 Stock Option Plan are as follows:

	Number of options	Option price per share range £	Weighted average exercise price £
Outstanding, 1 January 2010	25,485,700	0.02-0.14	0.06
Granted	70,000,000	0.01	0.01
Forfeited	(38,970,909)	0.01-0.14	0.04
Expired	(115,700)	0.10	0.10
Outstanding, 31 December 2010	56,399,091	0.01-0.14	0.02
Granted	-	-	-
Forfeited	(24,181,813)	0.01	0.01
Expired	-	-	-
Outstanding, 31 March 2011	32,217,278	0.01-0.14	0.02

There were no share options exercised in either 2011 or 2010.

The following table summarises the outstanding options granted under the 2002 Stock Option Plan at 31 March 2011:

Number of options outstanding	Option price £	Weighted average remaining contractual life Years	Weighted average remaining expected life Years	Number of options currently exercisable	Weighted average exercise price of options currently exercisable £
1,980,000	0.14	5.00	0.0	1,980,000	0.14
2,010,000	0.09	6.25	1.25	2,010,000	0.09
1,500,000	0.02	8.25	3.25	-	-
26,727,278	0.01	9.25	4.25	-	-
32,217,278				3,990,000	0.12

Turbo Power Systems Inc.

Notes to the condensed consolidated interim financial statements

Unaudited

The following table summarises the outstanding options granted under the 2002 Stock Option Plan at 31 December 2010:

Number of options outstanding	Option price	Weighted average remaining contractual life	Weighted average remaining expected life	Number of options currently exercisable	Weighted average exercise price of options currently exercisable
	£	Years	Years		£
1,980,000	0.14	5.3	0.3	1,980,000	0.14
2,010,000	0.09	6.5	1.5	2,010,000	0.09
1,500,000	0.02	8.5	3.5	-	-
50,909,091	0.01	9.5	4.5	-	-
56,399,091				3,990,000	0.12

Stock compensation expense

The Company has recorded £nil in stock compensation expense, all of which related to equity settled share-based payment transactions, in the quarter ended 31 March 2011 (2010: £29,000).

	Quarter ended 31 March	
	2011 £'000	2010 £'000
Cost of sales	-	3
Distribution costs	-	-
Research & development	-	8
General & administration	-	18
	-	29

16 Related party transactions

On 16 June 2010 the Company completed a fundraising and investment transaction that resulted in TAO UK, the wholly owned UK subsidiary of the Brazilian energy solutions company VSE, investing £6.5million in exchange for 1,083,333,334 Common Shares in the Company, giving TAO UK a 76% controlling stake in the Company on an undiluted basis. The transaction was recorded at exchange amount.

During the period ended 31 March 2011 the Company undertook two significant transactions with related parties. In February 2011 the Company negotiated a loan facility from its majority investor TAO UK, which provided £0.8 million to support working capital

Turbo Power Systems Inc.

Notes to the condensed consolidated interim financial statements

Unaudited

requirements, bearing interest at 6% and being repayable upon request after 1 January 2012. In March 2011 the Company increased this loan by a further £0.4 million.

Subsequent to the period end in April 2011, the Company extended the loan facility with TAO UK to provide an additional £2.2 million of working capital under the same terms taking the total loan to £5.3m.

In the period the Company has transacted business with TAO UK, totalling £31,000, All transactions were conducted within the normal course of business and were transacted at arms-length.

17 Subsequent events

Subsequent to the period end, on 15 April 2011 the Company announced that it had increased this facility with an additional £2.2 million. Including the additional £2.2 million, the total facility with TAO UK is currently £5.3 million.