

2005

Torin Sifan Limited

Report and Financial Statements

31 July 2005



Torin Sifan Limited

Registered No: 4569050

Directors

S P Clews
L F Rutter
K Sargeant

Secretary

S P Clews

Auditors

Ernst & Young LLP
1 More London Place
London
SE1 2AF

Registered office

Fleming Way
Crawley
West Sussex
RH10 9YX

Directors' report

The directors present their report together with the audited financial statements for the year ended 31 July 2005.

Results and dividends

The profit and loss account is set out on page 6 and reports a profit for the year after tax of £704,000 (2004 - £532,000).

During the year, a dividend of £1,050,000 was declared and paid (2004 - £ nil). The directors do not recommend the payment of a further dividend.

Principal activity and review of the business

The principal activity of the Company continues to be the design, manufacture and distribution of a range of motors and components for use in air movement applications and gas boilers. Turnover for the year was £15,570,000 (2004 - £15,555,000).

The Company will continue to develop its existing activities and seek expansion opportunities to increase profitability, both organically and by acquisition.

Research and development

The Company carries out research and development programmes to suit its particular market and product needs, offering customers application specific solutions to their air movement and gas boiler requirements.

Directors and their interests

The directors who served throughout the year are shown on page 1, and their disclosable interests in the share capital of the ultimate parent company, Volution Holdings Limited at the beginning and end of the year are disclosed in the report and financial statements of that company.

Auditors

Ernst & Young LLP will remain as auditors to the Company by virtue of an elective resolution passed on 5 April 2004.

By Order of the Board



S P Clews
Secretary
14 December 2005

Statement of directors' responsibilities in respect of the financial statements

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report

to the members of Torin Sifan Limited

We have audited the Company's financial statements for the year ended 31 July 2005 which comprise the Profit and loss account, Statement of total recognised gains and losses, Balance sheet and the related notes 1 to 22. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the Statement of directors' responsibilities the Company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

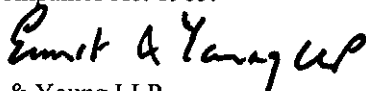
Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company as at 31 July 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Ernst & Young LLP
Registered Auditor
London

19 December 2005

Profit and loss account

for the year ended 31 July 2005

	Notes	2005 £000	2004 £000
Turnover			
Continuing operations	2	15,570	15,555
Cost of sales		(11,739)	(11,642)
Gross profit		3,831	3,913
Operating expenses	3	(2,739)	(2,992)
Operating profit	4	1,092	921
Interest receivable	7	107	63
Profit on ordinary activities before tax		1,199	984
Tax	8	(495)	(452)
Profit on ordinary activities for the year	19	704	532
Ordinary dividends paid		(1,050)	-
Retained (loss)/profit for the year	19	(346)	532

Statement of total recognised gains and losses

There are no recognised gains and losses other than those disclosed in the profit and loss account above.

Balance sheet

at 31 July 2005

	Notes	2005 £000	2004 £000
Fixed assets			
Intangible assets	9	8,022	8,485
Tangible assets	10	2,501	2,611
Investment in subsidiaries	11	2,479	2,479
		<u>13,002</u>	<u>13,575</u>
Current assets			
Stocks	12	2,070	2,159
Debtors:	13		
amounts falling due in more than one year		-	1,556
amounts falling due within one year		2,955	2,300
Cash		2,084	655
		<u>7,109</u>	<u>6,670</u>
Creditors: amounts falling due within one year	14	(2,464)	(2,252)
		<u>4,645</u>	<u>4,418</u>
Net current assets			
		<u>17,647</u>	<u>17,993</u>
Total assets less current liabilities			
Creditors: amounts falling due in more than one year	14	(2,479)	(2,479)
Provisions for liabilities and charges	15	(51)	(51)
		<u>15,117</u>	<u>15,463</u>
Net assets			
Capital and reserves			
Called up equity share capital	18	5,000	5,000
Share premium	19	10,000	10,000
Profit and loss account	19	117	463
		<u>15,117</u>	<u>15,463</u>
Shareholders' funds	19		
		<u>15,117</u>	<u>15,463</u>

Approved by the Board on 14 December 2005 and signed on its behalf by:


K Sargeant
Director

S P Clews
Director

Notes to the financial statements

at 31 July 2005

1. Accounting policies

Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

Basis of preparation

The Company is exempt from the requirement to prepare group financial statements by virtue of section 228 of the Companies Act 1985. These financial statements therefore present information about the company as an individual undertaking.

Statement of cash flows

A statement of cash flows has not been prepared as the Company is a wholly owned subsidiary of a parent which prepares consolidated financial statements available to the public.

Depreciation

Depreciation is provided on all tangible fixed assets, except freehold land, at rates estimated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life, as follows:

Freehold buildings	-	50 years
Plant and machinery	-	5 to 10 years
Fixtures, fittings, tools, equipment and vehicles	-	2 to 10 years

The carrying values of tangible fixed assets are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be fully recoverable.

Investments

Investments are included in the balance sheet at cost less amounts written off.

The carrying values of investments in subsidiaries are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be fully recoverable.

Goodwill

Goodwill is the difference between the cost of an acquired entity and the aggregate of the fair values of that entity's identifiable assets and liabilities.

Positive goodwill is capitalised, classified as an asset on the balance sheet and amortised on a straight line basis, normally over 20 years. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be fully recoverable.

Notes to the financial statements

at 31 July 2005

1. Accounting policies (continued)

Research and development

Research and development expenditure, other than that re-chargeable to third parties, is written off as incurred.

Stocks and work in progress

Stocks and work in progress are valued at the lower of cost and net realisable value and, in the case of work in progress and finished goods, includes the relevant proportion of overheads.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive tax, with the following exceptions:

- Provision is made for deferred tax that would arise on remittance of the retained earnings of subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable.
- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Foreign currencies

Transactions denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences arising in the ordinary course of business are included in the profit and loss account.

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the exchange rates ruling at the balance sheet date.

Pension costs

The cost of providing defined contribution retirement pensions for employees charged in the profit and loss account represents the amounts payable by the Company for the financial year.

Lease commitments

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

Notes to the financial statements

at 31 July 2005

2. Turnover

Turnover, which comprises a single class of activity, represents the net amount invoiced to customers, excluding value added tax and excluding sales of fixed assets. The analysis of turnover by geographical area is as follows:

	2005 £000	2004 £000
UK	10,701	11,076
Overseas	4,869	4,479
Total continuing operations	15,570	15,555

3. Operating expenses

	2005 £000	2004 £000
Distribution costs	742	831
Administration costs	1,997	2,161
	2,739	2,992

4. Operating profit

This is stated after charging:

	2005 £000	2004 £000
Depreciation of tangible fixed assets	365	403
Amortisation of intangible fixed assets	463	462
Operating lease rentals	145	3
- land and buildings		
- plant and machinery	9	5
Auditors' remuneration	18	18
- audit services		
Research and development expenditure	377	380

Notes to the financial statements

at 31 July 2005

5. Directors and staff

Directors' emoluments

No emoluments were paid or are payable to the directors in their capacity as directors of the Company.

Staff costs

	2005 £000	2004 £000
Wages and salaries	3,577	3,725
Social security costs	320	315
Other pension costs	213	224
	<u>4,110</u>	<u>4,264</u>
	No.	No.
The monthly average number of employees during the year was	<u>225</u>	<u>243</u>

6. Pensions

The Company's employees who have elected to receive pension benefits are members of either a defined contribution pension scheme operated by Torin Limited, a subsidiary of the Company, or a defined contribution scheme operated by Volution Limited, a group company. Under each scheme, contribution rates paid by the Company are fixed dependent upon the member's age and length of service.

7. Interest receivable

	2005 £000	2004 £000
Interest receivable on loans to group undertaking	106	56
Other interest receivable	1	7
	<u>107</u>	<u>63</u>

Notes to the financial statements

at 31 July 2005

8. Tax on profit on ordinary activities

(a) Analysis of charge in year

	2005 £000	2004 £000
<i>Current tax</i>		
UK corporation tax on the profit for the year	510	465
Adjustments in respect of the prior year	(15)	(13)
Total current tax (note 8(b))	495	452
<i>Deferred tax</i>		
Origination and reversal of timing differences	-	-
Total deferred tax (note 15)	-	-
Total tax charge for the year	495	452

(b) Factors affecting current tax charge for the year

The tax assessed for the year is higher than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2005 £000	2004 £000
Profit on ordinary activities before tax	1,199	984
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2004 - 30%)	360	295
Effects of:		
Expenses not deductible for tax purposes	140	142
Capital allowances in arrears of depreciation	14	22
Other timing differences	(4)	6
Adjustments in respect of the prior year	(15)	(13)
Current tax charge for the year (note 8(a))	495	452

Notes to the financial statements

at 31 July 2005

9. Intangible fixed assets

Intangible fixed assets represents goodwill on the acquisition of the business and net assets of businesses acquired during the period ended 2 August 2003.

	£000
Cost:	
At 31 July 2005 and 2004	9,256
Amortisation:	
At 31 July 2004	(771)
Charge for the year	(463)
At 31 July 2005	(1,234)
Net book value:	
At 31 July 2005	8,022
At 31 July 2004	8,485

Intangible fixed assets are being written off in equal annual instalments over the estimated economic life for goodwill, normally 20 years.

10. Tangible fixed assets

	<i>Freehold land and buildings</i>	<i>Plant and machinery</i>	<i>Fixtures, fittings, tools, equipment and vehicles</i>	<i>Total</i>
	£000	£000	£000	£000
Cost:				
At 31 July 2004	1,644	2,954	3,828	8,426
Additions	12	159	111	282
Disposals	–	(50)	(142)	(192)
At 31 July 2005	1,656	3,063	3,797	8,516
Depreciation:				
At 31 July 2004	(200)	(2,267)	(3,348)	(5,815)
Charge for the year	(31)	(115)	(219)	(365)
Disposals	–	32	133	165
At 31 July 2005	(231)	(2,350)	(3,434)	(6,015)
Net book value:				
At 31 July 2005	1,425	713	363	2,501
At 31 July 2004	1,444	687	480	2,611

Notes to the financial statements

at 31 July 2005

11. Investment in subsidiary undertakings

	£000
Cost:	
At 31 July 2005 and 2004	2,479

Investments represent interests in the following subsidiary companies:

<i>Company</i>	<i>Proportion of shares held</i>	<i>Nature of business</i>
Torin Limited	100%	Unremunerated agent
Sifan Systems Limited	100%	Unremunerated agent

12. Stocks

	2005 £000	2004 £000
Raw materials and consumables	1,138	1,265
Work in progress	541	468
Finished goods and goods for resale	391	426
	2,070	2,159

The difference between the estimated replacement cost of stocks and the purchase price or product cost is not material.

13. Debtors

	2005 £000	2004 £000
Amounts falling due within one year:		
Trade debtors	2,201	2,045
Amounts owed by other group undertakings	596	44
Prepayments and accrued income	158	211
	2,955	2,300
Amounts falling due in more than one year:		
Amounts owed by other group undertakings	-	1,556

Included within amounts owed by other group undertakings is a loan to Volution Limited of £535,000 (2004 - £1,556,000) on which interest at 8% per annum is payable. Although this loan has no fixed repayment date, it is the intention of Volution Limited that this loan will be fully repaid within 12 months.

Notes to the financial statements

at 31 July 2005

14. Creditors

	2005 £000	2004 £000
Amounts falling due within one year:		
Trade creditors	1,440	1,349
Amounts owed to parent company	495	452
Amounts owed to other group undertakings	4	-
Other creditors	442	362
Taxes and social security	83	89
	<u>2,464</u>	<u>2,252</u>
Amounts falling due in more than one year:		
Amounts owed to subsidiary companies	<u>2,479</u>	<u>2,479</u>

15. Provision for deferred tax

	2005 £000	2004 £000
At 31 July 2005 and 2004	<u>51</u>	<u>51</u>
The deferred tax consists of:		
Accelerated capital allowances	96	104
Other timing differences	(45)	(53)
Undiscounted deferred tax liability	<u>51</u>	<u>51</u>

16. Capital commitments

	2005 £000	2004 £000
Amounts contracted	<u>37</u>	<u>89</u>

Notes to the financial statements

at 31 July 2005

17. Obligations under operating leases

At 31 July 2005, the company had annual commitments as follows:

	Land and buildings		Other	
	2005	2004	2005	2004
	£000	£000	£000	£000
Leases expiring:				
Within two to five years	137	165	9	5
After 5 years	3	3	-	-
	<u>140</u>	<u>168</u>	<u>9</u>	<u>5</u>

18. Called up share capital

	<i>Authorised, issued and fully paid</i>	
	2005	2004
	£000	£000
5,000,000 ordinary shares of £1 each	<u>5,000</u>	<u>5,000</u>

19. Reconciliation of shareholders' funds and movement on reserves

	Ordinary share capital £000	Share premium account £000	Profit and loss account £000	Total £000
At 2 August 2003	5,000	10,000	(69)	14,931
Profit for the year	-	-	532	532
At 31 July 2004	<u>5,000</u>	<u>10,000</u>	<u>463</u>	<u>15,463</u>
(Loss) for the year	-	-	(346)	(346)
At 31 July 2005	<u>5,000</u>	<u>10,000</u>	<u>117</u>	<u>15,117</u>

20. Contingent liabilities

The Company guarantees the bank loans held by Volution Limited with Lloyds TSB Bank plc (£44,250,000 at 31 July 2005) on a joint and several basis with other group companies. The Company also acts as a chargor for this secured bank funding and, as such, is subject to a fixed and floating charge over its assets.

21. Related party transactions

The Company has invoked the wholly owned subsidiary exemption under FRS 8 with regard to disclosure of related party transactions with other Group entities.

Notes to the financial statements

at 31 July 2005

22. Parent undertaking and controlling party

The Company's immediate parent undertaking is Vent-Axia Group Limited. The ultimate parent undertaking of the largest group of undertakings for which group financial statements are drawn up and of which the company is a member, and the Company's ultimate controlling party, is Volution Holdings Limited. Copies of the consolidated financial statements of Volution Holdings Limited are available from the Company Secretary at Fleming Way, Crawley, West Sussex RH10 9YX.