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Torin Sifan Limited

Report and Financial Statements

31 July 2008

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COMPANIES HOUSE

Torin Sifan Limited

Registered No. 4569050

Directors

S J Diamond

L F Rutter

K Sargeant

Secretary

S J Diamond

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 financial statements for the year ended 31 July 2008.

Results and dividends

The profit for the year was £1,330,000 (2007 – profit £727,000).

During the year, a dividend of £1,250,000 was declared and paid (2007 – £750,000). The directors do not recommend the payment of a further dividend.

Principal activity and review of the business

The principal activity of the Company is 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 increased to £17,481,000 (2007 – £16,637,000) due to an encouraging uplift in demand for new DC motor products.

The gross margin improved substantially as efficiencies of manufacturing on one site at Swindon flowed through following the reorganisation last year.

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

The directors who served during the period were as follows:

S J Diamond
L F Rutter
K Sargeant

Principal risks and uncertainties

The directors consider the principal risks and uncertainties facing the Company to include both the general economic outlook for the U.K. public and private construction sectors which impacts demand for the Company's products and fluctuations in exchange rates of sterling to other major currencies which impacts both the revenue stream and cost of some of the Company's products. Given these risks the Company benchmarks key direct and indirect expenditure and reviews its organisational structure on a regular basis.

Directors' statement as to disclosure of information to auditors

The directors who were members of the board at the time of approving the directors' report are listed on page 1. Having made enquiries of fellow directors and of the Company's auditors, each of these directors confirms that:

- To the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the Company's auditors are unaware; and
- Each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

Directors' report

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

A handwritten signature in black ink, appearing to be 'S J Diamond', with a stylized, flowing script.

S J Diamond
Secretary
3 November 2008

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent; and
- 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 that 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 2008 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 23. These financial statements have been prepared under 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

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions 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 International Standards on Auditing (UK and Ireland) 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.

Independent auditors' report

to the members of Torin Sifan Limited

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 July 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
London

6 November 2008

Profit and loss account

for the year ended 31 July 2008

	Notes	2008 £000	2007 £000
Turnover	2	17,481	16,637
Cost of sales		(12,977)	(13,087)
Gross profit		4,504	3,550
Operating expenses - other		(2,665)	(2,539)
Operating expenses - exceptional reorganisation costs		—	(33)
Total operating expenses	3	(2,665)	(2,572)
Operating profit	4	1,839	978
Interest receivable	8	232	206
Profit on ordinary activities before tax		2,071	1,184
Tax on profit on ordinary activities	9	(741)	(457)
Profit for the year	20	1,330	727

Statement of total recognised gains and losses

for the year ended 31 July 2008


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

Balance sheet

at 31 July 2008

	Notes	2008 £000	2007 £000
Fixed assets			
Intangible assets	10	6,634	7,096
Tangible assets	11	2,293	2,290
Investment in subsidiaries	12	2,479	2,479
		<u>11,406</u>	<u>11,865</u>
Current assets			
Stocks	13	2,398	2,081
Debtors:			
amounts falling due in more than one year	14	2,682	2,480
amounts falling due within year	14	2,729	2,839
Cash		1,673	1,257
		<u>9,482</u>	<u>8,657</u>
Creditors: amounts falling due within one year	15	(3,050)	(2,749)
		<u>6,432</u>	<u>5,908</u>
Net current assets			
		<u>17,838</u>	<u>17,773</u>
Total assets less current liabilities			
Creditors: amounts falling due in more than one year	15	(2,479)	(2,479)
Provisions for liabilities	16	(217)	(232)
		<u>15,142</u>	<u>15,062</u>
Net assets			
Capital and reserves			
Called up equity share capital	19	5,000	5,000
Share premium	20	10,000	10,000
Profit and loss account	20	142	62
		<u>15,142</u>	<u>15,062</u>
Shareholders' funds	20		
		<u>15,142</u>	<u>15,062</u>

Approved by the Board on 3 November 2008 and signed on its behalf by:



K Sargeant
Director



S J Diamond
Director

Notes to the financial statements

at 31 July 2008

1. Accounting policies

Basis of preparation

The financial statements of Torin Sifan Limited were approved for issue by the Board of Directors on 3 November 2008.

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

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, at rates estimated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life, as follows:

Leasehold land and buildings	–	length of lease
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 value 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.

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.

Notes to the financial statements

at 31 July 2008

1. Accounting policies (continued)

Revenue recognition

Revenue is recognised to the extent that the company obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on dispatch of the goods.

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. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the exchange rates ruling at the balance sheet date. Exchange differences arising in the ordinary course of business are included in the profit and loss account.

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. Provision is made for the cost of reinstatement work on leased properties where there is an obligation under the lease, and the costs can be reasonably estimated.

Notes to the financial statements

at 31 July 2008

2. Turnover

Turnover, which comprises a single continuing 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:

	2008 £000	2007 £000
UK	10,390	10,288
Overseas	7,091	6,349
	<u>17,481</u>	<u>16,637</u>

3. Operating expenses

	2008 £000	2007 £000
Distribution costs	721	689
Administrative expenses - other	1,945	1,850
Administrative expenses – exceptional reorganisation costs	–	33
	<u>2,666</u>	<u>2,572</u>

4. Operating profit

This is stated after charging:

	2008 £000	2007 £000
Depreciation of tangible fixed assets	300	305
Amortisation of intangible fixed assets	462	463
Operating lease rentals - land and buildings	3	87
- plant and machinery	21	23
Auditors' remuneration - audit services	20	20
Research and development expenditure	400	416
	<u></u>	<u></u>

5. Directors' emoluments

No emoluments were paid or are payable to the directors in their capacity as directors of the Company. The directors are also directors of the group's parent undertaking, Volution Group Limited and receive emoluments from that company in respect of services to the group headed by that company. It is not possible to identify the proportion of these emoluments that relate to services to this company.

Notes to the financial statements

at 31 July 2008

6. Staff costs

	2008 £000	2007 £000
Wages and salaries	3,861	3,745
Social security costs	342	330
Other pension costs	209	211
	<u>4,412</u>	<u>4,286</u>

The monthly average number of employees during the financial year was as follows:

	2008 No.	2007 No.
Production	184	180
Sales and administration	52	59
	<u>236</u>	<u>239</u>

7. 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 undertaking. Under each scheme, contribution rates paid by the Company are fixed dependent upon the member's age and length of service.

8. Interest receivable

	2008 £000	2007 £000
Interest receivable on loans to group undertaking	202	199
Other interest receivable	30	7
	<u>232</u>	<u>206</u>

Notes to the financial statements

at 31 July 2008

9. Tax

(a) Analysis of charge in year

	2008 £000	2007 £000
<i>Current tax:</i>		
UK corporation tax on the profit for the year	737	508
Prior year adjustment	(12)	–
Total current tax (note 9(b))	<u>725</u>	<u>508</u>
<i>Deferred tax:</i>		
Origination and reversal of timing differences	16	(51)
Total deferred tax (note 9(c))	<u>16</u>	<u>(51)</u>
Total tax charge for the year (note 9(b))	<u><u>741</u></u>	<u><u>457</u></u>

(b) Factors affecting current tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK 29.33% (2007: 30%). The differences are explained below:

	2008 £000	2007 £000
Profit on ordinary activities before tax	<u>2,070</u>	<u>1,184</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 29.33% (2007 – 30%)	607	355
<i>Effects of:</i>		
Expenses not deductible for tax purposes	137	139
Capital allowances in arrears of depreciation	4	–
Other timing differences	(11)	14
Adjustment in respect of prior year	(12)	–
Current tax charge for the year (note 9(a))	<u><u>725</u></u>	<u><u>508</u></u>

(c) Deferred tax asset

At 31 July 2007	76	25
Deferred tax debit/credit in profit and loss account	(16)	51
At 31 July 2008	<u><u>60</u></u>	<u><u>76</u></u>
Consisting of:		
Short-term timing differences	60	76
Deferred tax asset (note 14)	<u><u>60</u></u>	<u><u>76</u></u>

Notes to the financial statements

at 31 July 2008

10. Intangible fixed assets

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

	<i>Goodwill</i> £000
Cost:	
At 31 July 2008 and 2007	9,256
Amortisation:	
At 31 July 2007	(2,160)
Charge for the year	(462)
At 31 July 2008	(2,622)
Net book value:	
At 31 July 2008	6,634
At 31 July 2007	7,096

Goodwill is being written off in equal annual instalments over its estimated economic life of 20 years.

11. Tangible fixed assets

	<i>Long leasehold land and buildings £000</i>	<i>Plant and machinery £000</i>	<i>Fixtures, fittings, tools, equipment and vehicles £000</i>	<i>Total £000</i>
Cost:				
At 31 July 2007	1,670	2,709	2,111	6,490
Additions	89	123	102	314
Disposals	–	(33)	(75)	(108)
At 31 July 2008	1,759	2,799	2,138	6,696
Depreciation:				
At 31 July 2007	(293)	(2,081)	(1,826)	(4,200)
Charge for the year	(37)	(138)	(125)	(300)
Disposals	–	33	64	97
At 31 July 2008	(330)	(2,186)	(1,887)	(4,403)
Net book value:				
At 31 July 2008	1,429	613	251	2,293
At 31 July 2007	1,377	628	285	2,290

Notes to the financial statements

at 31 July 2008

12. Investment in subsidiary undertakings

	£000
Cost:	
At 31 July 2008 and 31 July 2007	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

13. Stocks

	<i>2008</i>	<i>2007</i>
	<i>£000</i>	<i>£000</i>
Raw materials and consumables	1,284	1,334
Work in progress	611	506
Finished goods and goods for resale	503	241
	<u>2,398</u>	<u>2,081</u>

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

14. Debtors

	<i>2008</i>	<i>2007</i>
	<i>£000</i>	<i>£000</i>
Amounts falling due within one year:		
Trade debtors	2,427	2,556
Amounts owed by other group undertakings	118	89
Prepayments and accrued income	124	118
Deferred tax (note 9(c))	60	76
	<u>2,729</u>	<u>2,839</u>
Amounts falling due in more than one year:		
Amounts owed by other group undertakings	<u>2,682</u>	<u>2,480</u>

Notes to the financial statements

at 31 July 2008

15. Creditors: amounts falling due within one year

	2008	2007
	£000	£000
Trade creditors	2,003	1,930
Amounts owed to group undertakings	725	509
Other creditors	233	220
Taxes and social security	89	90
	<u>3,050</u>	<u>2,749</u>
Amounts falling due in more than one year:		
Amounts owed to subsidiary undertakings	<u>2,479</u>	<u>2,479</u>

Amounts owed to subsidiary undertakings have no fixed date for repayment.

16. Provisions for liabilities

	Service guarantees £000	Property dilapidations £000	Total £000
At 31 July 2007	132	100	232
Charged	222	-	222
Utilised	(137)	(100)	(237)
At 31 July 2008	<u>217</u>	<u>-</u>	<u>217</u>

A provision is recognised for expected service guarantees on products sold during the year.

17. Capital commitments

	2008	2007
	£000	£000
Amounts contracted	<u>53</u>	<u>25</u>

18. Obligations under operating leases

At 31 July 2008, the company had annual commitments as follows:

	Land and buildings		Plant and machinery	
	2008	2007	2008	2007
	£000	£000	£000	£000
Leases expiring:				
Within one year	-	-	10	7
Within two to five years	-	-	12	14
After five years	3	3	-	-
	<u>3</u>	<u>3</u>	<u>22</u>	<u>21</u>

Notes to the financial statements

at 31 July 2008

19. Authorised and issued share capital

	2008	2007
<i>Authorised, allotted, called-up and fully paid</i>	<i>£000</i>	<i>£000</i>
5,000,000 ordinary shares of £1 each	5,000	5,000

20. Reconciliation of shareholders' funds and movement on reserves

	<i>Ordinary share capital £000</i>	<i>Share premium account £000</i>	<i>Profit and loss account £000</i>	<i>Total share- holders' fund £000</i>
At 31 July 2006	5,000	10,000	85	15,085
Profit for the year	–	–	727	727
Dividends paid	–	–	(750)	(750)
At 31 July 2007	5,000	10,000	62	15,062
Profit for the year	–	–	1,330	1,330
Dividends paid	–	–	(1,250)	(1,250)
At 31 July 2008	5,000	10,000	142	15,142

21. Contingent liabilities

The company guarantees bank loans of £86,262,000 (2007 – £86,395,000) held by Darwin Mezzanine Limited with Royal Bank of Scotland plc on a joint and several basis with other group undertakings. 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.

22. Related party transactions

The Company has taken advantage of the exemption available under FRS 8 not to disclose transactions with other members of the Volution Group Limited group, as over 90% of voting rights are controlled within the group and group financial statements in which the company is consolidated are publicly available.

23. Parent undertaking and controlling party

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

The ultimate parent undertaking is the ABN AMRO Capital UK Buy Out Fund, which is a limited partnership fund registered in England and Wales.

The majority investor in this fund is AAV NEBO BV, which until November 2007 was ultimately owned by ABN AMRO Holding NV, incorporated in the Netherlands.

AAV NEBO BV is now ultimately owned by RFS Holdings BV, incorporated in the Netherlands.

The financial statements of Volution Group are not consolidated into the accounts of any other entity.