

Torin Sifan Limited

Report and Financial Statements

Year Ended

31 July 2020

Company Number 04569050

FRIDAY



AA12K1FC

A10

26/03/2021

#8

COMPANIES HOUSE

Torin Sifan Limited

Report and financial statements for the year ended 31 July 2020

Contents

Page:

2	Strategic report
5	Directors' report
7	Directors' responsibilities statement
8	Independent auditor's report
10	Statement of comprehensive income
11	Statement of financial position
12	Statement of changes in equity
13	Notes forming part of the financial statements

Directors

R A George
A O'Brien

Registered office

Fleming Way, Crawley, West Sussex, RH10 9YX, United Kingdom

Company number

04569050

Auditor

Ernst & Young LLP, The Paragon, Counterslip, Bristol, BS1 6BX, United Kingdom

Torin Sifan Limited

Strategic report for the year ended 31 July 2020

The directors of Torin Sifan Limited ('the Company') present their strategic report for the year ended 31 July 2020.

Principal activity 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.

Business review

The profit for the year, after taxation, is £782,000 (2019: £2,285,000). The Company's key financial and other performance indicators during the year were as follows:

	2020 £000	2019 £000	Change %
Turnover	21,585	25,231	(14.5)
Operating profit	1,060	2,848	(62.8)
EBITDA	1,844	3,509	(47.5)
Average number of employees	245	249	(1.6)

During the year the company's turnover declined by £3,646,000 compared to 2019, largely due to revenue disruption as a result of the COVID-19 pandemic. A mild, wet winter in the UK reduced the demand for higher margin boiler spares in the first half of the year, but there was a continuation of the positive growth in sales of the EC3 motor. Due to the pandemic lockdowns, April and May 2020 were the most adversely impacted months, however we saw a steady improvement in revenues through June and July, continuing into the new financial year.

In line with our Operational Excellence programme there were considerable improvements to the production efficiency as well as product cost reductions to our leading EC3 motor proposition, which will manifest in margin expansion in the new financial year. Having experienced teething issues in the prior year when implementing the new ERP system, we are now enjoying the considerable upside benefits of this project, the supply chain optimised and working efficiently, coupled with planning and customer service enhancements which will pay back in the coming months.

Principal risks and uncertainties (including those arising from the use of financial instruments)

The directors consider the principal risks and uncertainties facing the Company to be broadly grouped as economic, exchange rate and financial instrument related. These risks are explained further below:

Economic risk

In the UK, demand for the Company's products is influenced by both public and privately funded new and refurbishment construction projects. The UK construction market is in turn heavily influenced by prevailing macro-economic conditions and relevant UK and European legislation particularly with regards to air quality and energy efficiency. The Company reviews its cost base and organisational structure on a regular basis.

Exchange rate risk

Fluctuations in the exchange rate of sterling with other major currencies will impact both the turnover stream and purchase cost of some of the Company's products. The Company benchmarks turnover and direct expenditure denominated in foreign currency on a regular basis.

Torin Sifan Limited

Strategic report for the year ended 31 July 2020 (continued)

Financial instrument risk

The Company principally engages in short term working capital (trade debtors, trade creditors and cash). The directors' understanding of and the Company's exposure to risk as a result of using financial instruments is as follows:

- **Price risk**
Risk that the value of a financial instrument will fluctuate as a result of changes in market prices. The directors consider this risk to relate to foreign exchange. Risk arising on non-derivative financial instruments is mitigated by utilisation of surplus foreign currency within the group of which the Company is a member.
- **Credit risk**
Risk that one party to a financial instrument will fail to discharge their obligation and cause the other party to incur a financial loss. The directors believe credit risk principally relates to trade debtors. To mitigate against exposure to credit risk the Company has developed strong credit control procedures, internal control mechanisms and has entered into a credit insurance policy.
- **Liquidity risk**
Risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. To the best of the directors' knowledge there are no foreseeable constraints in discharging obligations under financial instruments. Cash flow is regularly monitored using weekly and monthly reporting, in addition, the Company undertakes quarterly reforecast updates against the annual budget.

COVID-19

The predominant impact of COVID-19 on our reported results for the year came from the reduction in revenue during the second half, and the resultant effect on gross profit.

As activity and output levels materially reduced, we furloughed approximately 45% of our workforce at the peak, with staff subsequently returning as activity recovered during the fourth quarter. The total value of benefit we received in the year for claims under the Coronavirus Job Retention Scheme (CJRS) was £393,000. With the resumption in activity we will not be making any new claims under the CJRS post 31 July 2020 nor will we be claiming under the subsequently announced Job Retention Bonus Scheme for the staff who we brought back from furlough.

In response to the demand reduction, and also part of our ongoing efficiency, we undertook a number of streamlining measures in the latter part of the financial year. This will result in a reduction of approximately 28 heads across our business by the end of the first quarter of financial year 2021, and we incurred a cost in financial year 2020 of £287,000 as a result.

Given the unprecedented nature of the crisis and its wide ranging impacts across our business and results, we have not treated any of these items as exceptional in the year and all are included within both our adjusted and our reported results.

UK leaving the EU

Following the referendum outcome in June 2016 for the UK to leave the EU, the UK Government and European Commission have been negotiating the terms on which the UK would leave the EU and the framework for the future relationship. On the 31 December 2020 a new trading relationship between the UK and the European Union was put in place.

Torin Sifan Limited


Strategic report for the year ended 31 July 2020 *(continued)*

UK leaving the EU (continued)

We have reviewed the tariffs that would apply to any cross border sales of our products between UK and Europe at an estimated tariff level of up to 3%, we do not believe the commerciality of these transactions would be materially impacted.

On the supply chain side, our primary non-UK supply comes from China, and so (aside from any heightened foreign exchange rate volatility) is not materially impacted. Border delays are recognised as a potential source of disruption; as such we have increased some inventories of specific faster moving products and will continue to monitor inventory levels and orders with our key suppliers.

On behalf of the Board

DocuSigned by:

AE2F7C6549E54A9...

Andy O'Brien
Director
19 March 2021

Torin Sifan Limited

Directors' report for the year ended 31 July 2020

The directors of Torin Sifan Limited ('the Company') present their report and financial statements for the year ended 31 July 2020.

Directors

The directors of the company throughout the year and to the date of approval of the report and financial statements were:

R A George
A O'Brien

Dividends

The Company paid a dividend of £2,000,000 (2019: £1,000,000) to Volution Holdings Limited during the year.

Donations

During the year, the company did not make any political or charitable donations.

Future developments

The Company will continue to develop its existing activities and seek expansion opportunities to increase profitability.

Financial instruments

The directors' understanding of, and the Company's exposure to risk as a result of using financial instruments is set out in the strategic report.

Research and development

The Company carries out research and development programmes to suit its particular market, product and customer needs.

Disabled employees and employee involvement

A skilled workforce is key to the future of the Company. Health and Safety matters are reviewed regularly by the directors and it is our policy to ensure that:

- Full and fair consideration is given to all applications for employment made by disabled persons, having regard to their capabilities;
- If an existing employee becomes disabled (whether from illness or accident) every reasonable effort is made to continue to provide employment either in the same job, or by training for a suitable alternative job; and
- Disabled persons are given equal consideration for training, career development and opportunities for promotion within the Company.

Management are regularly provided with a range of information concerning the performance of the business by means of meetings and similar briefings that allows employees' views and opinions to be taken into consideration. Other means of communication are used to ensure employees are systematically provided with information on matters of concern to them.

Directors' liabilities

The enlarged Group of which the Company is a member has granted an indemnity to certain directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in section 234 of the Companies Act 2006. Such qualifying third party indemnity provision remains in force at the date of approving the directors' report.

Torin Sifan Limited

Directors' report for the year ended 31 July 2020 (continued)

Going concern

The principal risks and uncertainties of the Company are managed at a Group level, and given how the Group's intra-group funding structure is administered the directors deem it appropriate to consider going concern at a Group level, and not the individual company level.

In considering the appropriateness of adopting the going concern basis for preparing the financial information, the directors consider, that a degree of uncertainty exists over future forecasts caused by the impact of the COVID-19 pandemic on consumer sentiment, government policy and the overall impact on consumer demand. The board has a reasonable expectation that the Group is able to manage its business risks and to continue in operational existence for at least 12 months from the date of signing of the accounts and has sufficient liquidity and covenant headroom, after consideration of the reasonably possible downside scenarios, over the 12 month going concern period to prepare the accounts on that basis.

On this basis, and with Volution Group PLC having confirmed in writing its intention to continue to support the Company for at least 12 months from the date of the approval of this report, the directors consider it appropriate to adopt the going concern basis for preparing the financial information.

Post balance sheet events

The UK has been further impacted by COVID-19 and further lockdowns have been imposed. A tier system was implemented and is likely to continue after lockdowns have been lifted. Despite the restrictions, the results post reporting date have not been impacted and are currently above budgeted levels.

Disclosure of information to the auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the Company's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Re-appointment of auditor

In accordance with section 485 of the Companies Act 2006, a resolution is to be proposed for reappointment of Ernst & Young LLP as auditor of the Company.

On behalf of the Board

DocuSigned by:

AE2F7C8548E54A9...
Andy O'Brien
Director
19 March 2021

Torin Sifan Limited

Directors' responsibilities statement for the year ended 31 July 2020

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). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 year.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditor's Report to the Members of Torin Sifan Limited

Opinion

We have audited the financial statements of Torin Sifan Limited for the year ended 31 July 2020 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and the related notes 1 to 23, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 July 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Independent Auditor's Report to the Members of Torin Sifan Limited (continued)

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

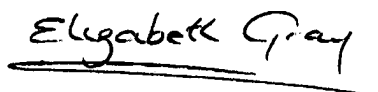
Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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.



Elizabeth Gray (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP (Statutory Auditor)
Bristol
19 March 2021

Torin Sifan Limited

Statement of comprehensive income for the year ended 31 July 2020

	Note	Year ended 31 July 2020 £'000	Year ended 31 July 2019 £'000
Revenue from contracts with customers	4	21,585	25,231
Cost of sales		<u>(17,521)</u>	<u>(19,145)</u>
Gross profit		4,064	6,086
Administration and distribution expenses		(3,397)	(3,238)
Other operating income	5	<u>393</u>	<u>—</u>
Operating profit	6	1,060	2,848
Interest payable	8	<u>(19)</u>	<u>—</u>
Profit on ordinary activities before tax		1,041	2,848
Taxation on profit on ordinary activities	9	<u>(259)</u>	<u>(563)</u>
Profit for the financial year		782	2,285
Other comprehensive income		<u>—</u>	<u>—</u>
Total comprehensive income		<u><u>782</u></u>	<u><u>2,285</u></u>

The results for the current and prior years arise solely from continuing operations.

The notes on pages 13 to 31 form part of these financial statements.

Torin Sifan Limited

Statement of financial position at 31 July 2020

Company number 04569050

	Note	2020 £'000	2020 £'000	2019 £'000	2019 £'000
Non-current assets					
Intangible assets	11		4,940		4,999
Right-of-use assets	12		748		—
Tangible assets	13		2,735		3,027
			<u>8,423</u>		<u>8,026</u>
Current assets					
Inventories	14	4,354		5,974	
Trade and other receivables	15	1,994		4,196	
Prepayments		81		255	
Cash at bank and in hand		<u>1,486</u>		<u>1,049</u>	
		7,915		11,474	
Current liabilities					
Trade and other payables	16	(3,245)		(5,994)	
Refund liabilities	4	(18)		(21)	
Current lease liabilities	12	(126)		—	
Provisions for liabilities	17	<u>(129)</u>		<u>(127)</u>	
		(3,518)		(6,142)	
Net current assets			<u>4,397</u>		<u>5,332</u>
Total assets less current liabilities			12,820		13,358
Non-current liabilities					
Provisions for liabilities	17		(50)		(50)
Non-current lease liabilities	12		(685)		—
Deferred tax	18		<u>(261)</u>		<u>(215)</u>
Net assets			<u>11,824</u>		<u>13,093</u>
Capital and reserves					
Called up share capital	19		—		—
Share based payment reserve			19		19
Profit and loss account			<u>11,805</u>		<u>13,074</u>
Equity attributable to owners of the parent company			<u>11,824</u>		<u>13,093</u>

The financial statements were approved by the Board of Directors and authorised for issue on 19 March 2021.

DocuSigned by:

 AE2F7C8548E54A9...
 Andy O'Brien
 Director

The notes on pages 13 to 31 form part of these financial statements.

Torin Sifan Limited

Statement of changes in equity at 31 July 2020

	Share capital £'000	Share based payment reserve £'000	Profit and loss account £'000	Total equity £'000
1 August 2018	—	19	11,789	11,808
Profit for the year	—	—	2,285	2,285
Dividends	—	—	(1,000)	(1,000)
31 July 2019	—	19	13,074	13,093
Adjustment on initial application of IFRS 16	—	—	(51)	(51)
1 August 2019	—	19	13,023	13,042
Profit for the year	—	—	782	782
Dividends	—	—	(2,000)	(2,000)
31 July 2020	—	19	11,805	11,824

The notes on pages 13 to 31 form part of these financial statements.

Torin Sifan Limited

Notes forming part of the financial statements for the year ended 31 July 2020

1 Authorisation of financial statements and statement of compliance with FRS 101

The financial statements present the results and financial position of Torin Sifan Limited ("the Company") for the year ended 31 July 2020. The Company is a private limited company and is incorporated and domiciled in England and Wales. The address of the Company's registered office is Fleming Way, Crawley, West Sussex RH10 9YX.

The financial statements were authorised for issue by the board of directors on 19 March 2021 and the statement of financial position was signed on the board's behalf by Andy O'Brien.

The financial statements have been prepared in accordance with FRS 101, under the historical cost convention and in accordance with the Companies Act 2006.

The financial statements are presented in Sterling and all values are rounded to the nearest thousand (£000) except when otherwise indicated.

The Company has taken advantage of the exemption under s400 of the Companies Act 2006 not to prepare group accounts as it is a wholly owned subsidiary of Volution Group plc. The results of the Company are included in the consolidated financial statements of Volution Group plc which are available from Fleming Way, Crawley, West Sussex RH10 9YX.

The principal accounting policies adopted by the Company are set out in note 2.

2 Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to the years presented, unless otherwise stated.

Basis of preparation

The financial statements of the Company have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101) and the Companies Act 2006. The financial statements have been prepared under the historical cost convention except for derivative financial instruments which have been recognised at fair value and in accordance with the Companies Act 2006.

The preparation of the financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- The requirements of paragraphs 45(b) and 46 to 52 of IFRS 2 'Share-based Payment'
- The requirements of IFRS 7 'Financial Instruments: Disclosures'
- The requirements of paragraphs 91 to 99 of IFRS 13 'Fair Value Measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities)
- The requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - paragraph 79(a)(iv) of IAS 1;
 - paragraph 73(e) of IAS 16 'Property, Plant and Equipment';
 - paragraph 118(e) of IAS 38 'Intangible Assets';
- The requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134 to 136 of IAS 1 'Presentation of Financial Statements'
- The requirements of IAS 7 'Statement of Cash Flows'
- The requirements of paragraphs 30 and 31 of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'

Torin Sifan Limited

Notes forming part of the financial statements for the year ended 31 July 2020 (*continued*)

2 Accounting policies (*continued*)

Basis of preparation (continued)

- The requirements of paragraph 17 of IAS 24 Related Party Disclosures
- The requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group
- The requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 Impairment of Assets.

Going concern

The principal risks and uncertainties of the Company are managed at a Group level, and given how the Group's intra-group funding structure is administered the directors' deem it appropriate to consider going concern at a Group level, and not the individual company level.

In considering the appropriateness of adopting the going concern basis for preparing the financial information, the directors consider, that a degree of uncertainty exists over future forecasts caused by the impact of the COVID-19 pandemic on consumer sentiment, government policy and the overall impact on consumer demand. The board has a reasonable expectation that the Group is able to manage its business risks and to continue in operational existence for at least 12 months from the date of signing of the accounts and has sufficient liquidity and covenant headroom, after consideration of the reasonably possible downside scenarios, over the 12 month going concern period to prepare the accounts on that basis.

On this basis, and with Volution Group PLC having confirmed in writing its intention to continue to support the Company for at least 12 months from the date of the approval of this report, the directors consider it appropriate to adopt the going concern basis for preparing the financial information.

Revenue from contracts with customers

Revenue from contracts with customers is recognised when the control of goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods and services. The performance obligation is satisfied upon delivery of the equipment and payment is generally due within 30 to 90 days from delivery.

Sale of goods

Revenue from the sale of goods is recognised at the point in time when control of the asset is transferred to the buyer, usually on the delivery of the goods.

The Company considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties and volume rebates). In determining the transaction price for the sale of products, the Company considers the effects of variable consideration (if any).

Torin Sifan Limited

Notes forming part of the financial statements for the year ended 31 July 2020 *(continued)*

2 Accounting policies *(continued)*

Revenue from contracts with customers (continued)

Volume rebates

The Company provides retrospective volume rebates to certain customers once the quantity of products purchased during the period exceeds a threshold specified in the contract. To estimate the variable consideration for the expected future rebates, the Company applies the expected value method for contracts with more than one volume threshold. The Company then applies the requirements on constraining estimates of variable consideration and recognises a liability for the expected future rebates.

Before including any amount of variable consideration in the transaction price, the Company considers whether the amount of variable consideration is constrained. The Company determined that the estimates of variable consideration are not constrained based on its historical experience, business forecast and the current economic conditions. In addition, the uncertainty on the variable consideration will be resolved within a short time frame.

Warranty obligations

The Company typically provides warranties for general repairs of defects that existed at the time of sale. These assurance-type warranties are accounted for under IAS 37 Provisions, Contingent Liabilities and Contingent Assets. Refer to the accounting policy on warranty provisions in note 17 Provisions for liabilities.

Contract balances

Contract assets

A contract asset is the right to consideration in exchange for goods transferred to the customer. A contract asset is recognised when the Company transfers goods to the customer before the customer pays consideration. There is no contract asset included within the Statement of Financial Position as revenue is recognised at a point in time. Consideration is recognised immediately as a receivable and is unconditional (only the passage of time is required before payment of consideration is due). The Company's accounting policy on trade receivables is detailed below.

Contract liabilities

There are no contract liabilities recognised in the comparative period or in the financial year ending 31 July 2020.

Foreign currencies

The financial statements are presented in the currency of the primary economic environment in which the entity operates (its functional currency). The results and financial position are expressed in GBP (£), which is also the functional currency of the Company.

In preparing the financial statements transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rate of exchange prevailing at the dates of the transactions. At the end of each reporting year, monetary items denominated in foreign currencies are retranslated at the rate prevailing at the end of the reporting year. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in the statement of comprehensive income.

Non-monetary items that are measured in historical cost in a foreign currency are translated using the exchange rate at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate at the date the fair value was determined.

Torin Sifan Limited

Notes forming part of the financial statements for the year ended 31 July 2020 (*continued*)

2 Accounting policies (*continued*)

Other operating income

Other operating income relates to government grants which are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed.

Income taxes

Current income tax assets and liabilities are measured at the amount expected to be recovered from, or payable to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements with the following exceptions:

- Where the temporary differences arise from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised only to the extent that the directors consider it is probable that there will be taxable profits from which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates enacted or substantively enacted by the reporting date.

The carrying amount of deferred income tax assets is reviewed at each reporting date. Deferred income tax assets and liabilities are offset, only if a legally enforceable right exists to set off current tax assets against current tax liabilities.

Deferred income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, deferred tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity.

Tangible assets

Tangible assets are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the tangible asset; when significant parts of tangible assets are required to be replaced at intervals, the Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly. All other repair and maintenance costs are recognised in the statement of comprehensive income as incurred.

Depreciation is charged so as to write off the cost or valuation of assets, except freehold land, over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Torin Sifan Limited

Notes forming part of the financial statements for the year ended 31 July 2020 (*continued*)

2 Accounting policies (*continued*)

Tangible assets (continued)

The following useful lives are used in the calculation of depreciation:

Buildings	- 30 - 50 years
Plant and machinery	- 5 - 10 years
Fixtures, fittings, tools, equipment and motor vehicles	- 4 - 10 years

The gain or loss arising on the disposal or retirement of an item of tangible assets is determined as the difference between the disposal proceeds and the carrying amount of the asset and is recognised in the statement of comprehensive income as part of administrative expenses.

Intangible assets

Goodwill

Goodwill represents the difference between amounts paid on cost of a business combination and the acquirer's interest in the fair value of the identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses.

Research and development costs

Research costs are expensed as incurred. Development expenditure on an individual project is recognised as an intangible asset when the Company can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the asset and the ability to reliably measure the expenditure during development.

Subsequent measurement of intangible assets

Intangible assets with a definite life are amortised on a straight-line basis over their estimated useful lives as follows:

Development costs	- 10 years
Software costs	- 5 years

The estimated useful life and amortisation methods are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Impairment of intangible assets

At each reporting date, the Company reviews the carrying amounts of its intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). 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. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest Group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

The 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 for which the estimates of future cash flows have not been adjusted.

Torin Sifan Limited

Notes forming part of the financial statements for the year ended 31 July 2020 (continued)

2 Accounting policies (continued)

Intangible assets (continued)

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. Impairment losses are immediately recognised in the statement of comprehensive income.

Inventories

Inventories are stated at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition is accounted for as follows:

- Raw materials: purchase cost on a first in, first out basis
- Work in progress and finished goods: cost of direct materials and labour and an appropriate portion of fixed and variable overhead expenses based on normal operating capacity, but excluding borrowing costs.

Net realisable value represents the estimated selling price for inventory less all estimated costs of completion and costs necessary to make the sale.

Trade and other receivables

Trade and other receivables are recognised when it is probable that a future economic benefit will flow to the Company. Trade and other receivables are carried at original invoice or contract amount less any provisions for discounts and expected credit losses. Provisions are made using the simplified approach in calculating the expected credit loss (ECL), the provision is measured at an amount equal to lifetime ECLs.

Cash at bank and in hand

Cash at bank and in hand comprise cash at banks and in hand.

Trade and other payables

Creditors are obliged to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Trade and other payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

Financial assets

Initial recognition and measurement

Financial assets are recognised when the Company becomes party to the contractual provisions of the instrument.

All financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset. The Company's financial assets include cash and trade and other receivables.

Torin Sifan Limited

Notes forming part of the financial statements for the year ended 31 July 2020 (*continued*)

2 Accounting policies (*continued*)

Financial assets (*continued*)

Derecognition of financial assets

A financial asset is derecognised when (i) the rights to receive cash flows from the asset have expired or (ii) the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass through" arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial liabilities

Initial recognition and measurement

The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are measured at amortised cost.

Subsequent measurement

Financial liabilities measured at amortised cost require the use of the effective interest method with gains or losses recognised in profit or loss when the financial liability is derecognised or through the amortisation process.

Derecognition of financial liabilities

A liability is generally derecognised when the contract that gives rise to it is settled, sold, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised in profit or loss.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions for the expected costs of maintenance guarantees are charged against profits when products have been invoiced.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

The timing of cash outflows are by their nature uncertain and are therefore best estimates. Provisions are not discounted as the time value of money is not considered material.

Torin Sifan Limited

Notes forming part of the financial statements for the year ended 31 July 2020 (continued)

2 Accounting policies (continued)

Pensions

Contributions to defined contribution schemes are recognised in the statement of comprehensive income in the year they become payable. The cost charged to the statement of comprehensive income of providing retirement pensions for employees represents the amounts paid by the Company to various defined contribution pension schemes operated by the Group in the financial year.

Dividends

Dividends are recognised when they meet the criteria for recognition as a liability. In relation to final dividends, this is when the dividend is approved by the directors in the general meeting, and in relation to interim dividends, when paid.

New standards and interpretations

IFRS 16 Leases

IFRS 16 Leases was issued in January 2017 to replace IAS 17 Leases and related interpretations. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

IFRS 16 has resulted in almost all leases being recognised on the balance sheet as the distinction between operating leases and finance leases was removed. Under the new standard, a right-of-use asset and a financial liability for the future lease payments are recognised.

The Company has adopted IFRS 16 using the modified retrospective approach, with the date of initial application of 1 August 2019. Under this method, the impact of the standard is calculated retrospectively; however, the cumulative effect arising from the new leasing rules is recognised in the opening balance sheet at the date of initial application. Accordingly, the comparative information presented for 2019 has not been restated.

The Company has adopted the following available practical expedients:

- to "grandfather" our previous assessment of which existing contracts are, or contain, leases;
- to not apply the new lessee accounting model to leases ending within twelve months of the reporting date;
- to not apply the new lessee accounting model to short term or low-value leases, for which we will continue to recognise the related lease payments as an expense on a straight line basis over the lease;
- to exclude initial direct costs from the measurement of the right-of-use asset; and
- to use hindsight in determining the lease term if the contract contains options to extend or terminate the lease.

The Company has lease contracts for various items of plant, machinery, vehicles and other equipment used in its operations. Leases of plant and machinery generally have lease terms between 3 and 6 years, while motor vehicles and other equipment generally have lease terms between 3 and 5 years.

As a lessee, the Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease. Under IFRS 16, the Company applies a single recognition and measurement approach for all leases, except for short-term and low-value assets, and recognises right-of-use assets and lease liabilities.

Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. The Company recognises a right-of-use asset and a lease liability at the lease commencement date.

Torin Sifan Limited

Notes forming part of the financial statements for the year ended 31 July 2020 (continued)

2 Accounting policies (continued)

New standards and interpretations (continued)

IFRS 16 Leases (continued)

At transition, for leases classified as operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the lessee's incremental borrowing rate as at 1 August 2019. Right-of-use assets were measured at their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application.

The Company's weighted average incremental borrowing rate applied was 1.83%.

The effect of adopting IFRS 16 is as follows:

Impact on the statement of financial position as at 1 August 2019:

	31 July 2019 audited £000s	IFRS 16 adjustments £000s	1 August 2019 £000s
Non-current assets			
Right-of-use assets	—	874	874
Total assets	19,500	874	20,374
Liabilities			
Lease liabilities (non-current)	—	(811)	(811)
Lease liabilities (current)	—	(124)	(124)
Deferred tax liabilities	(215)	10	(205)
Total liabilities	(6,407)	(925)	(7,332)
Equity			
Profit and loss account	13,074	(51)	13,023
Total equity	13,093	(51)	13,042

Impact on the statement of profit or loss as for the year ended 31 July 2020:

	31 July 2020 £000s	IFRS 16 adjustments £000s	31 July 2020 (revised) £000s
Depreciation expense (included in Cost of sales)	548	77	625
Depreciation expense (included in Administrative expenses)	45	49	94
Operating profit	1,044	16	1,060
Net finance costs	(1)	(18)	(19)
Profit for the period	783	(1)	782

Torin Sifan Limited

Notes forming part of the financial statements for the year ended 31 July 2020 *(continued)*

2 Accounting policies *(continued)*

New standards and interpretations (continued)

IFRS 16 Leases (continued)

The lease liabilities as at 1 August 2019 can be reconciled to the operating lease commitments as at 31 July 2019 as follows:

	£000's
Operating lease commitments at 31 July 2019	225
Present value of lease excluding from operating lease commitments 31 July 2019	837
Discounted using the incremental borrowing rate	<u>(127)</u>
Lease liability recognised at 1 August 2019	<u>935</u>
Analysis	
Current	124
Non-current	<u>811</u>
Lease liability recognised at 1 August 2019	<u>935</u>

Summary of new accounting policies

Set out below are the new accounting policies of the Company upon adoption of IFRS 16, which have been applied from the date of initial application:

Right-of-use assets

The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses and adjusted for certain re-measurements of the lease liability. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, restoration costs and lease payments made at or before the commencement date less any lease incentives received. The right-of-use asset is depreciated on a straight line basis over the shorter of its estimated useful life and the lease term.

Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Torin Sifan Limited

Notes forming part of the financial statements for the year ended 31 July 2020 (*continued*)

2 Accounting policies (*continued*)

New standards and interpretations (continued)

IFRS 16 Leases (continued)

Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

Other new standards or interpretations in issue, but not yet effective, are not expected to have a material impact on the Company's net assets or results.

3 Judgements in applying accounting policies and key sources of estimation uncertainty

In the application of the Company's accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

Judgements

The following are the critical judgements (apart from those involving estimations), that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in financial statements:

Development costs

Development costs that are directly attributable to the development of a product are capitalised using management's assessment of the likelihood of a successful outcome for each product being released to market, this is based on management's judgement that the product is technologically, commercially and economically feasible in accordance with IAS 38 'Intangible assets'.

Development costs capitalised during the year totalled £3,000 (2019: £5,000) and are shown in note 11.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of the assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when these financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Provisions for expected credit losses

Provisions for ECLs are measured at an amount equal to lifetime ECL. For trade receivables the Company applies a simplified approach in calculating ECLs. Trade receivables have been grouped together based on historical credit risk characteristics and the number of days from date of invoice. The expected loss rates are calculated using the provisions matrix approach.

Torin Sifan Limited

Notes forming part of the financial statements for the year ended 31 July 2020 (continued)

3 Judgements in applying accounting policies and key sources of estimation uncertainty (continued)

Provisions for expected credit losses (continued)

Trade receivables are categorised by common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The provision matrix is determined based on historical observed default rates over the expected life of the trade receivables and is adjusted for forward-looking estimates.

The total provision against receivables for the period ending 31 July 2020 totalled £15,000 (2019: £9,000) and has been netted against the receivable balance included in note 15.

Provisions against inventory

Inventory provisions include obsolescence and write-downs which take into account historical information related to sales trends and stock counts and represent the expected write-down between the estimated net realisable value and the original cost. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

The total provision against inventories for the year ended 31 July 2020 totalled £700,000 (2019: £506,000) and have been netted against the inventory balance included in note 14.

4 Revenue from contracts with customers

	2020 £'000	2019 £'000
Analysis by class of business:		
Sale of goods	<u>21,585</u>	<u>25,231</u>
Analysis of turnover by country of destination:		
United Kingdom	11,327	13,517
Rest of Europe	10,028	11,537
Rest of the world	<u>230</u>	<u>177</u>
	<u>21,585</u>	<u>25,231</u>
Rights of refund liabilities		
	2020 £'000	2019 £'000
Refund liabilities		
Arising from retrospective volume rebates	11	—
Arising from rights of return	<u>7</u>	<u>21</u>
	<u>18</u>	<u>21</u>

5 Other operating income

	2020 £'000	2019 £'000
Government coronavirus job retention scheme	<u>393</u>	<u>—</u>

£255,000 of the coronavirus job support receipts were paid to furloughed staff working in the Group's production facilities and therefore relate to cost of sales.

Torin Sifan Limited

Notes forming part of the financial statements for the year ended 31 July 2020 (continued)

6 Profit on ordinary activities before taxation	2020	2019
	£'000	£'000
This is arrived at after charging/(crediting):		
Research and development		
- current year's expenditure	699	659
Inventory recognised as an expense	10,559	11,774
Depreciation of tangible assets	595	595
Depreciation of right-of-use assets	126	—
Amortisation of intangible assets	63	66
Loss/(profit) on disposal of tangible assets	2	(9)
Operating lease expense	—	159
Foreign exchange (gains)/losses	—	(118)

Fees payable to the Company's auditors of £51,000 (2019: £54,000) for the audit of the Company's annual accounts were borne by a fellow group company.

7 Employees

	2020	2019
	£'000	£'000
Staff costs consist of:		
Wages and salaries	6,164	6,026
Social security costs	512	479
Cost of defined contribution scheme	299	243
	6,975	6,748

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

	2020	2019
	Number	Number
Production	198	180
Administration	43	69
	241	249

No remuneration was paid, or is payable, to the directors in their capacity as directors to the Company in the current or previous year.

The directors receive remuneration from a fellow group undertaking, Volution Group plc, in respect of services to the group of which the Company is a member. Total remuneration paid by the enlarged group to directors of the Company (including pension scheme contributions) was £1,045,000 (2019: £1,652,000). It is not possible to identify the proportion of this remuneration that relates to services to the Company.

8 Interest payable

	2020	2019
	£'000	£'000
Interest payable		
Other charges	2	—
IFRS 16 related interest	17	—
Total interest payable	19	—

Torin Sifan Limited

**Notes forming part of the financial statements
for the year ended 31 July 2020 (continued)**

9 Taxation on profit on ordinary activities

	2020 £'000	2019 £'000
<i>UK corporation tax</i>		
Current tax on profits of the year	216	549
Adjustment in respect of previous years	(14)	31
Total current tax	202	580
<i>Deferred tax</i>		
Current year	4	—
Origination and reversal of timing differences	—	11
Changes to tax rates	27	(1)
Adjustment in respect of previous years	26	(27)
	57	(17)
Taxation on profit on ordinary activities	259	563

The tax assessed for the year is higher than (2019: higher than) the standard rate of corporation tax in the UK applied to profit before tax. The differences are explained below:

	2020 £'000	2019 £'000
Profit on ordinary activities before tax	1,041	2,848
Profit on ordinary activities at the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	198	541
Effects of:		
Adjustment in respect of previous years	12	4
Income not subject to taxation	(2)	(5)
Expenses not deductible for tax purposes	24	24
Effect of difference in tax rates	27	(1)
Total tax charge for year	259	563

The Finance Act 2016, enacted on 15 September 2016, included a further rate change. The 18% rate enacted in the Finance (No. 2) Act 2015 will reduce by 1%, so that from 1 April 2020, the mainstream corporation tax rate will become 17%. These changes were reflected in the figures in these financial statements. The rate of tax is currently 19%. In his Budget speech on 4 March 2021, the Chancellor announced an increase in the main corporation tax rate to 25% from 2023. As the change in the rate to 25% was not enacted at the balance sheet date, deferred tax assets and liabilities continue to be recognised at 19%.

10 Dividends

	2020 £'000	2019 £'000
Ordinary shares		
Interim dividends paid of £0.40 (2019: £0.20) per share	2,000	1,000

Torin Sifan Limited

Notes forming part of the financial statements for the year ended 31 July 2020 (*continued*)

11 Intangible assets

	Goodwill £'000	Development costs £'000	Software costs £'000	Total £'000
<i>Cost</i>				
At 1 August 2019	4,320	832	156	5,308
Additions	—	3	1	4
Disposals	—	—	(1)	(1)
At 31 July 2020	<u>4,320</u>	<u>835</u>	<u>156</u>	<u>5,311</u>
<i>Amortisation</i>				
At 1 August 2019	—	164	145	309
Provision for year	—	57	6	63
Disposals	—	—	(1)	(1)
At 31 July 2020	<u>—</u>	<u>221</u>	<u>150</u>	<u>371</u>
<i>Net book value</i>				
At 31 July 2020	<u>4,320</u>	<u>614</u>	<u>6</u>	<u>4,940</u>
At 31 July 2019	<u>4,320</u>	<u>668</u>	<u>11</u>	<u>4,999</u>

Torin Sifan Limited

Notes forming part of the financial statements for the year ended 31 July 2020 (continued)

12 Right of use assets

	Land and buildings £'000	Fixtures, fittings, tools, equipment and motor vehicles £'000	Total £'000
<i>Cost</i>			
IFRS 16 leases on transition	804	70	874
At 31 July 2020	804	70	874
<i>Depreciation</i>			
Provision for year	110	16	126
At 31 July 2020	110	16	126
<i>Net book value</i>			
At 31 July 2020	694	54	748

Set out below are the carrying amounts of lease liabilities and the movements during the year:

Lease liabilities	Land and buildings £'000	Fixtures, fittings, tools, equipment and motor vehicles £'000	Total £'000
At 1 August 2019	862	73	935
Interest expense	13	4	17
Lease payments	(122)	(19)	(141)
As at 31 July 2020	753	58	811
<i>Analysis</i>			
Current	111	15	126
Non-current	642	43	685
As at 31 July 2020	753	58	811

The following are amounts recognised in the statement of comprehensive income:

	Total £000
Depreciation expense of right-of-use assets (cost of sales)	77
Depreciation expense of right-of-use assets (administrative expenses)	49
Interest expense	17

Torin Sifan Limited

Notes forming part of the financial statements for the year ended 31 July 2020 (*continued*)

13 Tangible assets

	Land and buildings £'000	Plant and machinery £'000	Fixtures, fittings, tools, equipment and motor vehicles £'000	Total £'000
<i>Cost</i>				
At 1 August 2019	2,887	3,483	2,541	8,911
Additions	9	66	231	306
Disposals	—	(44)	(55)	(99)
At 31 July 2020	<u>2,896</u>	<u>3,505</u>	<u>2,717</u>	<u>9,118</u>
<i>Depreciation</i>				
At 1 August 2019	1,407	2,466	2,011	5,884
Provision for year	119	208	268	595
Disposals	—	(42)	(54)	(96)
At 31 July 2020	<u>1,526</u>	<u>2,632</u>	<u>2,225</u>	<u>6,383</u>
<i>Net book value</i>				
At 31 July 2020	<u>1,370</u>	<u>873</u>	<u>492</u>	<u>2,735</u>
At 31 July 2019	<u>1,480</u>	<u>1,017</u>	<u>530</u>	<u>3,027</u>

14 Inventories

	2020 £'000	2019 £'000
Raw materials and consumables	2,564	3,811
Work in progress (goods to be sold)	840	1,083
Finished goods and goods for resale	<u>950</u>	<u>1,080</u>
	<u>4,354</u>	<u>5,974</u>

15 Trade and other receivables

	2020 £'000	2019 £'000
Trade receivables	1,978	3,948
Amounts owed by group undertakings	16	42
Other receivables	<u>—</u>	<u>206</u>
	<u>1,994</u>	<u>4,196</u>

Torin Sifan Limited

Notes forming part of the financial statements for the year ended 31 July 2020 (continued)

16 Trade and other payables

	2020 £'000	2019 £'000
Trade payables	2,220	4,750
Amounts owed to group undertakings	203	580
Taxation and social security	172	148
Other payables	650	516
	<u>3,245</u>	<u>5,994</u>

17 Provisions for liabilities

	Product warranties £'000	Property dilapidations £'000	Total £'000
At 1 August 2019	127	50	177
Charged to profit or loss	98	—	98
Utilised in year	(96)	—	(96)
At 31 July 2020	<u>129</u>	<u>50</u>	<u>179</u>
Analysis			
Current	129	—	129
Non-current	—	50	50
	<u>129</u>	<u>50</u>	<u>179</u>

Product warranties

A provision is recognised for warranty costs expected to be incurred in the following 12 months on products sold during the year and in prior years. Product warranties typically range between one and two years; however, based on management's knowledge of the products, claims in relation to warranties after more than twelve months are rare and highly immaterial.

Property dilapidations

A provision has been recognised for dilapidations relating to obligations under leases for leasehold buildings and will be payable at the end of the lease term.

18 Deferred taxation

	31 July 2019 £'000	Opening IFRS 16 adjustments £'000	Change of basis £'000	Prior year adjustment £'000	Charged / (credited) to income £'000	31 July 2020 £'000
Depreciation charged in advance of capital allowances	205	—	(1)	26	32	262
IFRS 16	—	(10)	—	—	(1)	(11)
Other temporary differences	10	—	—	—	—	10
Deferred tax liability	<u>215</u>	<u>(10)</u>	<u>(1)</u>	<u>26</u>	<u>31</u>	<u>261</u>

The Company has no unused tax losses or credits.

Torin Sifan Limited

Notes forming part of the financial statements for the year ended 31 July 2020 (continued)

19 Share capital

	2020 £'000	2019 £'000
<i>Authorised, called up and fully paid</i>		
5,000,000 (2019: 5,000,000) ordinary shares of £0.000001 each	—	—

20 Commitments

Commitments

The Company had commitments of £62,000 (2019: £89,000) at year end relating to the acquisition of tooling and machinery.

Guarantees

The Company has provided a guarantee to Volution Group plc for its share of a multicurrency revolving facility of £120 million.

21 Related party disclosures

The Company has taken advantage of the exemption available under FRS 101 from the requirements in IAS 24 Related Party Disclosures not to disclose transactions with other wholly owned members of the Volution Group plc group ('the Group'), as 100% of the Company's voting rights are controlled within the Group and Group financial statements in which the Company is included are publicly available.

22 Controlling parties

The Company's immediate parent undertaking is Volution Holdings Limited.

The parent undertaking of the largest and smallest group for which consolidated financial statements are drawn up that include the results of the Company is Volution Group plc, a public company incorporated in England and Wales. Copies of the group financial statements of Volution Group plc are available from Fleming Way, Crawley, West Sussex RH10 9YX.

The directors consider the ultimate parent and controlling party of the Company to be Volution Group plc.

23 Post balance sheet events

The UK has been further impacted by COVID-19 and further lockdowns have been imposed. A tier system was implemented and is likely to continue after lockdowns have been lifted. Despite the restrictions, the results post reporting date have not been impacted and are currently above budgeted levels.