

Torin Sifan Limited

Report and Financial Statements

Year Ended

31 July 2018

Company Number: 04569050



Torin Sifan Limited

Report and financial statements for the year ended 31 July 2018

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Directors

R A George
I Dew

Registered office

Fleming Way, Crawley, West Sussex, RH10 9YX

Company number

04569050

Auditor

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

Torin Sifan Limited

Strategic report for the year ended 31 July 2018

The directors of Torin Sifan Limited ('the Company') present their strategic report for the year ended 31 July 2018.

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 £3,093,000 (2017: £2,946,000). The Company's key financial and other performance indicators during the year were as follows:

	2018 £000	2017 £000	Change %
Turnover	23,984	23,154	3.6
Operating profit	1,375	3,767	(63.5)
EBITDA	1,983	4,346	(54.4)
Average number of employees	235	223	5.4

During the year the company's turnover increased by £830,000. Once again the Company generated record sales of its energy saving Electronically Commutated (EC) motors, which was offset by demand for traditional Alternating Current (AC) motor technology. The decrease in profitability was largely driven by the write down of the investment.

The company's core markets of commercial and residential heating and ventilation all reflected growth, with the strongest performance in residential heating sales. Growth was supported by the continued increase in European demand for energy saving EC motors, underpinned by legislation, along with the launch of the Company's new range of latest generation EC3 Electronically Commutated motors. Export sales continue to grow at a faster rate than our home market and now represent 49.5% of total revenue.

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.

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:

Torin Sifan Limited

Strategic report for the year ended 31 July 2018 *(continued)*

Financial instrument risk *(continued)*

- **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.

On behalf of the Board



Ian Dew
Director
26 April 2019

Torin Sifan Limited

Directors' report for the year ended 31 July 2018

The directors of Torin Sifan Limited ('the Company') present their report and financial statements for the year ended 31 July 2018.

Directors

The directors of the company throughout the year were:

R A George
I Dew

Dividends

The Company paid an interim dividend of £2,500,000 (2017: £3,450,000). The directors do not recommend the payment of a final dividend (2017: £nil).

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 2018 (*continued*)

Going concern

The directors confirm that after making appropriate enquiries, they have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements. The directors' responsibilities are set out on page 6 and should be read in conjunction with this statement.

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



Ian Dew
Director
26 April 2019

Torin Sifan Limited

Directors' responsibilities statement for the year ended 31 July 2018

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 2018 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and the related notes 1 to 21, 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 2018 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.

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 6, 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.

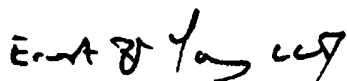
Auditor's responsibilities for the audit of the financial statements

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.



Zishan Nurmohamed (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP (Statutory Auditor)
London
Date 29/04/2019

Torin Sifan Limited

Statement of comprehensive income for the year ended 31 July 2018

	Note	Year ended 31 July 2018 £'000	Year ended 31 July 2017 £'000
Turnover	4	23,984	23,154
Cost of sales		<u>(17,104)</u>	<u>(16,384)</u>
Gross profit		6,880	6,770
Administration and distribution expenses - other		(3,036)	(3,003)
Administration and distribution expenses - write down of investment		<u>(2,469)</u>	<u>-</u>
Operating profit	5	1,375	3,767
Income from shares in group undertakings		<u>2,469</u>	<u>-</u>
Profit on ordinary activities before tax		3,844	3,767
Taxation on profit on ordinary activities	7	<u>(751)</u>	<u>(821)</u>
Profit for the financial year		3,093	2,946
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income		<u>3,093</u>	<u>2,946</u>

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

The notes on pages 12 to 27 form part of these financial statements.

Torin Sifan Limited

Statement of financial position at 31 July 2018

Company number 04569050

	Note	2018 £'000	2018 £'000	2017 £'000	2017 £'000
Non-current assets					
Intangible assets	9		5,060		5,107
Tangible assets	10		3,174		3,332
Investments	11		-		2,469
			8,234		10,908
Current assets					
Inventories	12	3,928		3,404	
Trade and other receivables	13	3,608		3,553	
Cash at bank and in hand		1,372		1,895	
		8,908		8,852	
Current liabilities					
Trade and other payables	14	(4,920)		(5,511)	
Provisions for liabilities	16	(132)		(320)	
		(5,052)		(5,831)	
Net current assets			3,856		3,021
Total assets less current liabilities			12,090		13,929
Non-current liabilities					
Other payables	15		-		(2,469)
Provisions for liabilities	16		(50)		(50)
Deferred tax	17		(232)		(195)
Net assets			11,808		11,215
Capital and reserves					
Called up share capital	18		-		-
Share based payment reserve			19		19
Profit and loss account			11,789		11,196
Equity attributable to owners of the parent company			11,808		11,215

The financial statements were approved by the Board of Directors and authorised for issue on [.].



Ian Dew
Director

The notes on pages 12 to 27 form part of these financial statements.

Torin Sifan Limited

Statement of changes in equity at 31 July 2018

	Share capital £'000	Share based payment reserve £'000	Profit and loss account £'000	Total equity £'000
1 August 2016	-	19	11,700	11,719
Profit for the year	-	-	2,946	2,946
Dividends	-	-	(3,450)	(3,450)
31 July 2017	-	19	11,196	11,215
Profit for the year	-	-	3,093	3,093
Dividends	-	-	(2,500)	(2,500)
31 July 2018	-	19	11,789	11,808

The notes on pages 12 to 27 form part of these financial statements.

Torin Sifan Limited

Notes forming part of the financial statements for the year ended 31 July 2018

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 12 months year ended 31 July 2018. 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 26 April 2019 and the statement of financial position was signed on the board's behalf by Ian Dew.

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 2018 (*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 directors confirm that after making appropriate enquiries, they have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements. The directors' responsibilities are set out on page 6 and should be read in conjunction with this statement.

Revenue recognition

Turnover is measured at the fair value of the consideration received or receivable. Turnover is reduced for estimated customer returns, rebates and other similar allowances that are calculated based upon the price of goods, volumes and product mix purchased by the customer. Turnover is stated net of settlement discounts, VAT, other sales taxes and duties.

Sale of goods

Turnover from the sale of goods is recognised when all the following conditions are satisfied:

- the Company has transferred ownership of the goods when the significant risks and rewards have passed to the buyer, usually on the delivery of the goods;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of turnover can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest receivable and similar income

Turnover is recognised as interest accrues using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to its net carrying amount.

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 2018 (continued)

2 Accounting policies (continued)

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 enforcement 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.

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.

Torin Sifan Limited

Notes forming part of the financial statements for the year ended 31 July 2018 (*continued*)

2 Accounting policies (*continued*)

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 tangible and intangible assets

At each reporting date, the Company reviews the carrying amounts of its tangible and intangible assets with definite lives 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.

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.

Torin Sifan Limited

Notes forming part of the financial statements for the year ended 31 July 2018 (*continued*)

2 Accounting policies (*continued*)

Stocks

Stocks 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 stocks less all estimated costs of completion and costs necessary to make the sale.

Trade and other debtors

Trade and other debtors are recognised when it is probable that a future economic benefit will flow to the Company. Trade and other debtors are carried at original invoice or contract amount less any provisions for discounts and doubtful debts. Provisions are made where there is evidence of a risk of non-payment taking into account ageing, previous experience and general economic conditions.

Cash and cash equivalents

Cash and short-term deposits comprise cash at banks and in hand and short-term deposits with an original maturity of three months or less.

Creditors

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

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

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 2018 (*continued*)

2 Accounting policies (*continued*)

Financial assets

Initial recognition and measurement

Financial assets within the scope are classified as loans and receivables or available-for-sale financial assets.

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 short-term deposits, trade and other receivables and receivables due from group undertakings.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period, which are classified as tangible assets. The company's loans and receivables comprise receivables in the balance sheet.

Available-for-sale financial assets

Available-for-sale financial investments include equity securities. Equity investments classified as available-for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the unrealised gains and losses reserve. When the investment is derecognised, the cumulative gain or loss is recognised in other operating income, or determined to be impaired, at which time the cumulative loss is recognised in the income statement in other operating expenses and removed from the unrealised gains and losses reserve.

The Company evaluates its available-for-sale financial assets and whether the ability and intent to sell them in the near term is still appropriate. When the Company is unable to trade these financial assets due to inactive markets and management's intent significantly changes to do so in the foreseeable future, the Company may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial asset meets the definition of loans and receivables and when the Company has the intent and ability to hold these assets for the foreseeable future or until maturity.

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.

Torin Sifan Limited

Notes forming part of the financial statements for the year ended 31 July 2018 (*continued*)

2 Accounting policies (*continued*)

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as loans and borrowings. The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Interest bearing loans and borrowings

Obligations for loans and borrowings are recognised when the Company becomes party to the related contracts and are measured initially at the fair value of consideration received less directly attributable transaction costs.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in interest receivable and similar income and interest payable and similar expenses.

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.

Leasing commitments

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Payments under operating leases are charged to the statement of comprehensive income on a straight line basis over the term of the lease.

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.

Torin Sifan Limited

Notes forming part of the financial statements for the year ended 31 July 2018 (*continued*)

2 Accounting policies (*continued*)

New standards and interpretations

There were no new or amended accounting standards relevant to the Company's results that are effective for the first time in 2018 that have a material impact on the Company's financial statements.

The following standards and interpretations have an effective date after the date of these financial statements.

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments was issued in July 2014 to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 has been endorsed by the EU and is effective for accounting periods beginning on or after 1 January 2018 and was adopted by the Company on 1 August 2018.

IFRS 9 impacts the classification and measurement of the Company's financial instruments and requires certain additional disclosures. IFRS 9 also introduces changes to impairments of financial assets, which will result in the Company moving from an incurred loss model to an expected loss model. Although the new standard impacts the way in which bad debt provisions are calculated, as the Company has historically not incurred significant bad debt losses the Company does not anticipate that the impact of this change will be material.

IFRS 15 Revenue from Contracts with Customers

IFRS 15, as amended, is effective for accounting periods beginning on or after 1 January 2018 and was adopted by the Company on 1 August 2018. IFRS 15 provides a single, principles based 5 step model to be applied to all sales contracts, based on the transfer of control of goods and services to customers. It replaces the separate models for goods, services and construction contracts currently included in IAS11 Construction Contracts and IAS 18 Revenue.

The Company has undertaken analysis of how IFRS 15 should be implemented and the resulting impact on the financial statements. As permitted by IFRS 15 we have applied the new standard using the modified retrospective method. We recognised the cumulative effect of applying the new standard at the date of initial application, 1 August 2018, with no restatement of the comparative period presented. We have also chosen to apply the new standard only to those contracts that were not considered completed contracts at 1 August 2018.

Our impact assessment has concluded that IFRS 15 does not have a significant impact on the recognition of revenue from the sale of goods due to the lack of complexity involved in these transactions. IFRS 15 impacts the timing and amount of revenue recognised which arises from the provision of services; however, as the level of revenue generated from the provision of services is not significant to the Company, our assessment is that the impact of IFRS 15 is also not material to the Company.

IFRS 16 Leases

IFRS 16 Leases was issued in January 2017 to replace IAS 17 Leases. The standard is effective for accounting periods beginning on or after 1 January 2019 and will be adopted by the Company on 1 August 2019.

The Directors do not expect IFRS 16 will have a significant impact on the Company.

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.

Torin Sifan Limited

Notes forming part of the financial statements for the year ended 31 July 2018 (*continued*)

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.

Judgments

The following are the critical judgments (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 £7,000 (2017: £26,000) and are shown in note 9.

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 against receivables

Using information available at the balance sheet date, the Directors make assumptions on the estimated debt recovery rates, based on experience, regarding the level of provision required to account for potentially uncollectible receivables.

The total provision against receivables for the year ended 31 July 2018 totalled £8,000 (2017: £20,000) and have been netted against the receivable balance included in note 13.

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 2018 totalled £448,000 (2017: £411,000) and have been netted against the inventory balance included in note 12.

Torin Sifan Limited

Notes forming part of the financial statements for the year ended 31 July 2018 (continued)

4 Analysis of turnover

	2018 £'000	2017 £'000
Analysis by class of business:		
Sale of goods	<u>23,984</u>	<u>23,154</u>
Analysis of turnover by country of destination:		
United Kingdom	12,101	11,907
Rest of Europe	11,749	11,125
Rest of the world	<u>134</u>	<u>122</u>
	<u>23,984</u>	<u>23,154</u>

5 Profit on ordinary activities before taxation

	2018 £'000	2017 £'000
This is arrived at after charging/(crediting):		
Research and development		
- current year's expenditure	672	627
Inventory recognised as an expense	16,468	15,793
Depreciation of tangible fixed assets	544	507
Amortisation of intangible assets	64	72
Loss/(profit) on disposal of tangible assets	10	(3)
Operating lease expense	153	148
Foreign exchange losses	73	97
Write-down of investment	<u>2,469</u>	<u>-</u>

The investment write-down occurred following a dividend being received from the subsidiary and a subsequent comparison of the carrying value with reserves available for distribution.

Fees payable to the Company's auditors for the audit of the Company's annual accounts were borne by a fellow group company.

Torin Sifan Limited

Notes forming part of the financial statements for the year ended 31 July 2018 (*continued*)

6 Employees

	2018 £'000	2017 £'000
Staff costs consist of:		
Wages and salaries	5,422	4,876
Social security costs	468	423
Cost of defined contribution scheme	219	236
	<u>6,109</u>	<u>5,535</u>

The average number of employees (including directors) during the year was as follows:

	2018 Number	2017 Number
Production	166	156
Administration	69	67
	<u>235</u>	<u>223</u>

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 £1,510,000 (2017: £1,962,000). It is not possible to identify the proportion of this remuneration that relates to services to the Company.

Torin Sifan Limited

Notes forming part of the financial statements for the year ended 31 July 2018 (*continued*)

7 Taxation on profit on ordinary activities

	2018 £'000	2017 £'000
<i>UK corporation tax</i>		
Current tax on profits of the year	732	759
Adjustment in respect of previous years	(17)	(35)
Total current tax	715	724
<i>Deferred tax</i>		
Origination and reversal of timing differences	24	(18)
Changes to tax rates	(3)	(10)
Adjustment in respect of previous years	15	125
	36	97
Taxation on profit on ordinary activities	751	821

The tax assessed for the year is higher than (2017: higher than) the standard rate of corporation tax in the UK applied to profit before tax. The differences are explained below:

	2018 £'000	2017 £'000
Profit on ordinary activities before tax	3,844	3,767
Profit on ordinary activities at the standard rate of corporation tax in the UK of 19.00% (2017: 19.67%)	730	741
Effects of:		
Adjustment in respect of previous years	(2)	90
Income not subject to taxation	(469)	-
Expenses not deductible for tax purposes	495	-
Effect of difference in tax rates	(3)	(10)
Total tax charge for year	751	821

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.

8 Dividends

	2018 £'000	2017 £'000
Ordinary shares		
Interim dividends paid of £0.50 (2017: £0.69) per share	2,500	3,450

Torin Sifan Limited

Notes forming part of the financial statements
for the year ended 31 July 2018 (*continued*)

9 Intangible assets

	Goodwill £'000	Development costs £'000	Software costs £'000	Total £'000
<i>Cost</i>				
At 1 August 2017	4,320	820	370	5,510
Additions	-	7	10	17
Disposals	-	-	(224)	(224)
At 31 July 2018	4,320	827	156	5,303
<i>Amortisation</i>				
At 1 August 2017	-	55	348	403
Provision for year	-	54	10	64
Disposals	-	-	(224)	(224)
At 31 July 2018	-	109	134	243
<i>Net book value</i>				
At 31 July 2018	4,320	718	22	5,060
At 31 July 2017	4,320	765	22	5,107

10 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 2017	2,813	3,278	2,214	8,305
Additions	43	177	176	396
Disposals	-	(34)	(27)	(61)
At 31 July 2018	2,856	3,421	2,363	8,640
<i>Depreciation</i>				
At 1 August 2017	1,160	2,144	1,669	4,973
Provision for year	128	208	208	544
Disposals	-	(30)	(21)	(51)
At 31 July 2018	1,288	2,322	1,856	5,466
<i>Net book value</i>				
At 31 July 2018	1,568	1,099	507	3,174
At 31 July 2017	1,653	1,134	545	3,332

Torin Sifan Limited

Notes forming part of the financial statements for the year ended 31 July 2018 (*continued*)

11 Investments

	£'000
Cost and net book value	
At 1 August 2017	2,469
Write-down of investment	(2,469)
At 31 July 2018	-

The investment at 31 July 2018 represents a 100% shareholding in the company set out below, which is incorporated in England and Wales.

Group company	Principal activity	Country of incorporation
Torin Limited ¹	Dormant	England

Principal shareholdings are of ordinary shares giving rise to complete voting rights.

12 Inventories

	2018 £'000	2017 £'000
Raw materials and consumables	2,525	2,354
Work in progress (goods to be sold)	802	632
Finished goods and goods for resale	601	418
	<u>3,928</u>	<u>3,404</u>

13 Trade and other receivables

	2018 £'000	2017 £'000
Trade receivables	3,366	3,014
Amounts owed by group undertakings	72	243
Other receivables	58	116
Prepayments and accrued income	112	180
	<u>3,608</u>	<u>3,553</u>

¹ Registered Office of Torin Limited: Fleming Way, Crawley, West Sussex, England, RH10 9YX

Torin Sifan Limited

Notes forming part of the financial statements for the year ended 31 July 2018 (continued)

14 Trade and other payables: amounts falling due within one year

	2018 £'000	2017 £'000
Trade payables	3,593	4,039
Amounts owed to group undertakings	653	719
Taxation and social security	143	114
Accruals and deferred income	531	639
	<u>4,920</u>	<u>5,511</u>

15 Other payables: amounts falling due after one year

	2018 £'000	2017 £'000
Amounts owed to group undertakings	<u>-</u>	<u>2,469</u>

16 Provisions for liabilities

	Product warranties £'000	Property dilapidations £'000	Total £'000
At 1 August 2017	320	50	370
Charged to profit or loss	(30)	-	(30)
Utilised in year	<u>(158)</u>	<u>-</u>	<u>(158)</u>
At 31 July 2018	<u>132</u>	<u>50</u>	<u>182</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 can range between one and five 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.

17 Deferred taxation

	31 July 2017 £'000	Charged to income £'000	31 July 2018 £'000
Depreciation charged in advance of capital allowances	181	44	225
Other temporary differences	<u>14</u>	<u>(7)</u>	<u>7</u>
Deferred tax liability	<u>195</u>	<u>37</u>	<u>232</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 2018 (*continued*)

18 Share capital

	2018 £'000	2017 £'000
<i>Allotted, called up and fully paid</i>		
5,000,000 (2017: 5,000,000) ordinary shares of £0.000001 each	-	-

19 Commitments under operating leases

Lessee

The Company had minimum lease payments under non-cancellable operating leases as set out below:

	2018 £'000	2017 £'000
Not later than 1 year	128	123
Later than 1 year and not later than 5 years	128	246
Total	256	369

20 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.

21 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.