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# CORPORATE STATEMENT

Porvair plc develops, manufactures and markets materials with microporous structures. These materials are used in a wide variety of industrial applications including leather finishes, membranes for foul weather clothing, a wide range of filters, room fresheners, vents, ceramics and medical diagnostic devices.

The Company's objective is to grow organically by continued investment in new product development and by acquisition into related growth industries using the strengths of the core business to enhance the profits of an enlarged Group.

The long term financial objective of Porvair plc is to increase the earnings per share for the shareholders and to provide a secure and creative environment for the employees.

*Porvair Ceramics SP70/10 Pressure Casting Machine.*

# HIGHLIGHTS

## 1996

- Profit before tax £4.2m (1995 : £5.1m) on turnover of £55.4m (1995 : £39.9m)
- Earnings per share 11p (1995 : 18p)
- Maintained final dividend of 3.7p making a total of 5.6p for the year (1995 : 5.4p)
- Increase in sales due to a first full year contribution from Selee and 11 months of trading from Comfort Barrier Systems.
- Porvair International affected by a shortfall in sales of Porelle and reduced margins in sales of Permair.
- Selee's growth impeded by weak aluminium cast shop market during the first nine months.
- Porvair Technology remains stable but significant orders were delayed until the first half of 1997.
- Strong performance from Porvair Ceramics and Porvair Sciences.
- Significant restructuring costs for Comfort Barrier Systems written off in the year.
- Continuing R&D expenditure for new product development.

# CHAIRMAN'S STATEMENT

After six consecutive years of record results, I have to report a year in which your Company has experienced a reduction in profits. Pre-tax profits fell by 19% despite an increase in sales of 39%. This growth in sales was due largely to the inclusion of a full year's trading of Selee, compared with only five months' last year and eleven months' trading of Aquatex Functional Fabrics Limited (re-named Comfort Barrier Systems) acquired in December 1995.

The Group profit before tax for the year ended 30 November 1996 decreased to £4.2m (1995: £5.1m) on turnover of £55.4m (1995: £39.9m). The decline in profit was mainly caused by difficult market conditions experienced by Porvair International which accounted for 33% of Group revenue, and the investment in the market development and restructuring programme for Comfort Barrier Systems which amounted to £0.6m. In addition Selee's sales growth was not as anticipated and Porvair Technology's sales level remained unchanged largely due to orders delayed until 1997. However, creditable performances were achieved at Porvair Ceramics and Porvair Sciences who increased sales by 49% and 110% respectively.

The Group's tax charge has increased to 33% (1995: 31%) due in the main to the inclusion of a full year's profit from Selee which attracts a higher taxation rate. The earnings per share were 11.0p (1995 : 18.0p), a fall of 39%.

The Directors recommend a final dividend of 3.7p equivalent to last year's level, payable on 10 April 1997 to shareholders on the register at the close of business on 14 March 1997, producing a total dividend of 5.6p net (1995 : 5.4p) for the full year, an increase of 4%.

As reported in the interim statement, all companies in the Group, except for Porvair International, demonstrated good growth during the first half, although Selee's performance was limited by weakness in the aluminium sector. Prospects for the Group in the second half were encouraging, but the last quarter, in which a large proportion of our revenue and profits are generated traditionally, did not meet expectations. Four companies within the Group achieved lower than anticipated sales in the last quarter.

Your Board has already initiated remedial action at all underperforming companies. Costs have been reduced at Porvair International and the company re-organised to become more market orientated while additional costs were incurred at Comfort Barrier Systems to prepare it to become a more significant international distributor of waterproof breathable fabrics. An independent consultancy was also employed to give clear direction to the strategy employed at Comfort Barrier Systems.

## ACQUISITIONS

The Group acquired Aquatex Functional Fabrics in December 1995 for £2.3m. This acquisition was part of our strategy to develop closer links with end customers by distributing waterproof breathable textiles (incorporating Porelle film) rather than remain a film supplier.

Permair Leathers Incorporated was acquired on 12 December 1996 for £2.0 million. This company was the principal Porvair licensee in the USA for manufacturing finished leather using Porvair's Permair<sup>®</sup> film. Permair Leathers Inc is to help train the employees of the joint venture that Porvair will shortly establish in China in order to ensure supply of quality product. The joint venture provides access to the important Chinese footwear manufacturing arena which represents a significant growth opportunity for Permair film.

# CHAIRMAN'S STATEMENT

## BALANCE SHEET

Shareholders' funds stand at £22.0m (1995 : £23.0m) having written off the goodwill arising from the acquisition during the period under review. With borrowings at £6.7m and gearing of 30.4% the Group is well placed for much better progress in 1997.

## BOARD CHANGES

Anthony Collinson resigned from the Board on 12 April 1996.

Gene Kopf is to retire in July 1997, as he wishes to pursue political and community interests. He will continue as a consultant to the Group.

Lew Bingham, (42), was appointed to the Board of Porvair plc on 1 May 1996. Lew joined the company in 1992 as Managing Director of Porvair Technology. Under his management Porvair Technology demonstrated good growth and is well set for the future. On 1 July 1996 he was appointed Managing Director of Porvair International. I am delighted to welcome Lew to the main Board.

## EMPLOYEES

At the year end the Group employed 691 personnel. A warm welcome is extended to all employees of Permair Leathers Inc who joined our Group in December 1996.

David Cornthwaite, previously European business leader and joint General Manager for W L Gore (manufacturers of Goretex) in the UK, joined us as Managing Director of Comfort Barrier Systems on 1 November 1996. I am delighted to welcome David to our midst and am confident he will be a valuable addition to our team.

I am always impressed with the contribution our employees make to the Group. Although this has not been a good year for us, our personnel have worked tirelessly to improve our performance. The Board would like to thank all employees for their efforts in 1996.

## OUTLOOK

During 1996, we have examined all of our businesses closely and taken remedial action to address areas of underperformance. The underlying strength of our company is the quality of its products, its wide range of customer applications and the dedication of our staff. Greater emphasis has been placed on marketing and on cost reduction and we are well placed to show considerable improvement in 1997.

We will continue to invest in new product development and to search for any suitable and strategically sensible acquisitions, but ensuring that we achieve a significant improvement on 1996 performance will remain the priority. I am confident we will achieve that goal.



JOHN MORGAN  
CHAIRMAN

19 February 1997

# PORVAIR COMPANIES

The Group's main activity is the development, manufacture and marketing of materials with microporous structures, which are used in a wide range of industrial applications. These operations are carried out by seven subsidiary companies. In the year under review the largest single application, accounting for approximately 44% of the Group's activities were associated with filtration. The main companies within the Porvair Group and their principal activities are:

## **Porvair International**

*King's Lynn UK*

- Footwear and Leather (including Permair and Poromerics)
- Textiles (including Porelle and glove inserts)
- Wound dressings (including Kyroderm)
- Printing Blankets

## **Selee Corporation**

*Hendersonville, NC, USA*

- Ceramic filtration media for use in aluminium cast shops, iron and steel foundries
- Kiln furniture for high temperature ovens
- Exhaust emission control carriers

# PORVAIR COMPANIES

## Porvair Technology

*Wrexham UK*

- Filters and filtration membranes
- Water and sewage treatment systems
- Powder handling fabrications
- Room fresheners
- Vacuum cleaner dust filters

## Porvair Ceramics

*King's Lynn UK*

- Pressure casting machines and moulds for sanitary and tableware
- Ram press moulds for tableware

## Porvair Sciences

*Shepperton UK*

- Components for medical diagnostic devices
- Single use laboratory components



# PORVAIR COMPANIES

## **Comfort Barrier Systems**

*Northampton UK*

- Marketing and distribution of waterproof/breathable textiles

## **Permair Leathers Inc**

*Salem, Massachusetts USA*

- Manufacture and marketing of upgraded leather using Permair film

# OPERATING REVIEW

Selee and Porvair International remain the largest contributors to revenue at 36% and 33% of Group turnover respectively, and this year Selee accounted for 54% of Group operating profit. This proportion is however likely to reduce as the other companies within the Group are expected to contribute more strongly in the coming year.

Group sales increased to £55.4m (1995 : £39.9m) and operating profit fell to £4.9m (1995 : £5.5m), a decrease of 11%. Research and development expenditure increased to £2.1m (1995 : £1.3m) approximately 4% of sales, confirming the Group's commitment to new product development. Capital expenditure at £1.8m (1995 : £3.0m) was held back this year in view of the trading conditions experienced.

## PORVAIR INTERNATIONAL

This company has three distinct sectors to its business. The footwear and Leather division, comprising Poromerics (synthetic leather) and Permair (film for laminating to and upgrading all types of hides and skins), is by far the largest part, accounting for 79% (1995 : 77%) of International's revenue.

The Textiles division includes Porelle (a waterproof and breathable membrane for laminating to textiles which in turn are used for outdoor clothing) and glove inserts under the brand name of Porelle. The other sector of the business includes printing blankets principally used for the dry offset printing processes and wound dressing materials

Porvair International produced an operating profit of £1.1m down from £2.9m last year. Turnover was £18.1m (1995 : £20.3m). Poromerics sales fell by almost £2m compared with the previous year. This was almost entirely due to our Pakistan distributor whose purchases account for the majority of Poromeric sales. The Pakistani purchases over a two year period are reasonably consistent but the buying pattern often changes from year to year. In 1995, large quantities were purchased ahead of expected new import tariffs which led to overstocking and reduced sales for 1996. Orders resumed in the last quarter of 1996 and are expected to continue through 1997.

Permair sales increased by 6% compared with the previous year, with a good recovery in the second half considering the first half was 15% less than the same period in 1995. Sales in the second half were 28% up on the same period for the previous year. Similar order levels have continued into the early part of the current year benefiting from improved market conditions and significant growth in new territories of South Africa and the Far East, although higher cost, more sophisticated finishes affected margins somewhat. The recent acquisition of Permair Leathers Inc, our licensee for the USA specialising in the manufacture of Permair finished leather for the American market, will strengthen our position in that market and help pull through sales for our proposed Chinese venture.

This venture will enable us to satisfy our customers' demands for a locally produced quality product and allow us to take advantage of this large and growing market. We have therefore negotiated a joint venture with a large Sino-American organisation to manufacture the finished leather under our own direct management. This is expected to be up and running shortly.

# OPERATING REVIEW

Sales of Porelle showed a 25% fall year on year. A large customer in the USA switched to a competitor's cheaper film and the delayed contracts for the French and Belgian armies and French police force came through only in part during the last quarter of the year. However during the year a significant new contract was negotiated with a large US based textile company and deliveries started in November.

A laminator in Taiwan has also started to market the product and sales in that area hold promise for the coming year. Benefits which could be expected from the Group's acquisition of Comfort Barrier Systems Limited (formerly Aquatex Functional Fabrics Limited) are yet to materialise as during the year this company underwent a major restructuring. Porelle operates in a market where there is now more competitive pressure, but the quality of our product and the initiatives taken make us optimistic about this product's future.

Printing blankets sales increased by 21% and the company is benefiting from working with more distributors in Europe. The sales to date have been of dry offset blankets which serve a smaller sector of the offset printing market. Our new offset litho blanket which is now essentially developed is expected to be available in the last quarter of 1997 to printers in the much larger offset litho printing sector.

Costs were taken out of the business in the first half of the year in response to the lower trading levels. Sales levels in the early part of 1997 are well ahead of last year and Porvair International should show a much improved performance in the current year as a result.

## SELEE CORPORATION

Selee manufactures ceramic filters and associated equipment for use in metal purification, environmental applications, chemical and thermal processing.

1996 was the first complete year for Selee in the Porvair Group and it achieved sales of £19.8m compared with £8.6m during the five months of ownership in 1995. Year on year Selee saw a slow down in sales growth to approximately 1%, dampened by a downturn in one of Selee's core markets - aluminium melt treatment. Selee's operating profit was £2.6m (1995 5 months: £1.6m). Metal purification accounts for the vast majority of the Selee business and this division is broken down into three principal applications, namely aluminium casting, iron foundry and steel foundry filtration.

The aluminium industry experienced a downturn which affected filter sales to the aluminium casting companies for the first nine months of the year, and consequently year on year sales in this segment fell by approximately 8%. However sales have picked up well since October and continue to be buoyant into the early part of 1997. The dual stage filtration system developed by Selee is gaining acceptance with several companies.

Iron foundry sales increased by a healthy 21% and we will need to increase capacity in 1997 to accommodate anticipated growth. Iron foundry is likely to become the larger part of Selee's business over the coming years. Steel foundry, which is still a comparatively small activity although a growing contributor, increased its sales but was severely affected by a raw material shortage which has now been overcome. European market penetration exceeded our expectations but gains in this area were offset by a decrease in orders received from the Far East, primarily due to our policy to maintain prices.

# OPERATING REVIEW

There is a strong interest in a new proprietary thermal processing material and a new environmental filter for volatile organic compounds. Trading during the early part of the new fiscal year confirms our belief that prospects for increased growth are promising.

## PORVAIR TECHNOLOGY

This company manufactures porous metal and plastic materials and converts them into products with a wide variety of industrial applications including filtration and aeration. Sales of £6.8m (1995 : £6.8m) were below expectations, with a disappointing second half performance largely due to the delay of two major orders which will benefit the first half of 1997, one in polymer filtration, the other in water aeration. Porvair Technology company produced an operating profit of £0.7m, up 3% over 1995. Sales progress continued in the water aeration sector with turnover up 89% on 1995. Significant new business was achieved with our major UK customer, Thames Water, and from a large fresh water installation in Hong Kong.

Sales in polymer filtration were below expectations, with growth only 17% above the previous year. Significant new polymer capacity continues to be installed in the Far East, where there are substantial opportunities for sales of filtration products. Repeat business from the major catalyst recovery customer which had so beneficially affected 1995 performance was at a much lower level in 1996. We are now refocusing our attention in this area to take advantage of the opportunities that exist.

We suffered a downturn in the domestic vacuum cleaner bag market in 1996 following the take-over of our most significant customer by a European competitor. There is renewed interest in the permanent bag concept from other manufacturers, which we are expecting to generate increased sales in the current year.

We are involved in a major development programme with an international pharmaceuticals company for a multi-million unit product which is undergoing pilot marketing. Several other healthcare related volume moulding projects are at an early stage of development.

## PORVAIR CERAMICS

Porvair Ceramics markets pressure casting equipment and manufactures microporous synthetic moulds for the sanitaryware and tableware industries. Sales increased by 49% to £5.4m (1995 : £3.6m) and operating profits more than tripled to £886,000 (1995 : £264,000). Our customer base for sanitaryware pressure casting machines and associated moulds has increased considerably with 15 machines being sold during the year. Contracts were obtained in Asia, South America and USA with each customer expecting to install more capacity in the next two years. Porvair Ceramics was little known in the industry three years ago. Today it has become the preferred supplier to the industry with many new customers undertaking trials of the Porvair system. Tableware mould sales, although the smaller part of the business, continue to grow, with an increase of 14% year on year.

Significant progress has been made on two new products, one associated with the tableware industry, the other with sanitaryware. A commercial launch of one of these products is planned for 1997. The order book as at the end of January 1997 is higher than this time last year and a healthy growth is anticipated.

# OPERATING REVIEW

## PORVAIR SCIENCES

*(formerly Porvair Filtronics)*

This company specialises in the manufacture and marketing of single use filtration devices sold to predominantly research and general scientific establishments.

Although the company is small, sales more than doubled to £1.4m (1995 : £0.6m) resulting in an operating profit of £326,000 (1995 : £18,000). Two new products were successfully launched in the year and accounted for the growth of this company. Microlute, a unique patented sample preparation system has become the system of choice by many large pharmaceutical companies, since it significantly reduces the time for analysing samples.

A single use device for use in DNA investigations was sold in large quantity to a number of outlets and has provided a good regular base for the business.

New products used in robotic analysis have been developed and will be launched in early 1997. Continued growth of existing products supplemented by new products will progress the company next year.

## COMFORT BARRIER SYSTEMS

*(formerly Aquatex Functional Fabrics)*

We acquired this company to allow us to get closer to the retailer/brand owner of waterproof breathable clothing. By doing so, we will be better placed to control our market and be less susceptible to competing with cheap lower performing films. Turnover for the eleven month period of our ownership was £3.9m with an operating loss of £0.3m.

Comfort Barrier Systems has had a year of considerable disruption undergoing a significant restructuring, at a cost of £600,000, including relocation to new premises, the addition of several key personnel, and market development expenditure. A new managing director has been appointed, Dave Cornthwaite, who played a key role in W L Gore's marketing in the UK. This company was a textile distribution business predominantly serving the UK institutional market. The restructuring will help reposition the company to become a marketer and distributor of waterproof breathable fabrics serving the large international markets of Europe and the USA in both institutional and sports and leisure clothing.

J. M. Morgan  
CHAIRMAN

L. G. Bingham  
DIRECTOR

R. E. Kopf  
DIRECTOR

# FINANCIAL REVIEW

## OPERATING RESULTS

After several years' growth, 1996 proved to be a disappointing year, especially the second half. The major area of underperformance was at Porvair International, although Selee's results also fell short of plan. The growth in sales was largely attributable to the consolidation of a full twelve months from Selee compared to five months last year. There were also eleven months of contribution from Comfort Barrier Systems. Pre-tax profits reduced by 19%. The 39% reduction in earnings per share was due to the lower pre-tax profits, an increased composite tax rate and a 28% increase in the weighted average number of shares in issue.

## TAXATION

The effective rate of tax for the Group is 33% (1995 : 31%). This represents a tax rate of 30% on the UK profits (1995 : 27%) and 38% on the US profits (1995 : 39%). The increase in the composite rate reflects the impact of a full year's profits from Selee.

## CASH FLOW

The Group achieved a cash generation of £1.4m before investing activities on capital expenditure of £1.8m net and the receipt of £1.7m of loans. The issue of share capital during the year was £0.2m due to the exercise of share options and the cash outflow for the acquisition of Aquatex was £2.2m. There was a net decrease in the Group's cash of £0.7m. Capital expenditure at £1.8m was lower than the planned £3.0m but is expected to increase in 1997 to approximately £4.0m. Although working capital increased by £1.8m, due mainly to the acquisition of Comfort Barrier Systems, both operational debtor and stock days improved. The number of days taken to pay our suppliers has also reduced.

## GEARING

Equity shareholders' funds at £22.0m (1995 : £23.0m) and borrowings at £6.7m (1995 : £4.8m) produced a gearing at the year end of 30.4% (1995 : 21.0%).

## FINANCING


The Group's borrowings including overdrafts are both in sterling and US dollars. At the balance sheet date there was the equivalent of £5.9m in US dollar borrowings and £0.8m of sterling loans. The UK sterling bank loan is repayable in approximately equal instalments over the next four years. The loan is unsecured and interest fixed at 1% above LIBOR. The ECSC loan is repayable between 1 and 5 years and carries an effective interest rate of 6.1%. The UK bank loan of £3.0m is dollar denominated and repayable by four equal instalments between 1 and 5 years at a fixed interest rate of 7.2%. US bank loans of £2.5m are repayable within 1 to 5 years. A loan of £2.0m on maturing in 1999 is subject to an interest rate swap contract which effectively fixes the rate at 7.5%. The remaining loan of £0.5m is at 2% above LIBOR.

## FOREIGN EXCHANGE

Approximately 65% of the Group's trading is in sterling and 28% in US dollars. Major transactions in foreign currency are hedged to their full value. Items of a long term nature such as net worth of an overseas subsidiary are however not hedged and any unrealised gain or loss is accounted for in the Group's reserves.

## DIVIDEND COVER

The final proposed dividend of 3.7p increases the full year dividend by 4% to 5.6p (1995 : 5.4p). Dividend cover is at 1.9 times.



K.J. Symonds  
Group Finance Director  
19 February 1997

# CORPORATE GOVERNANCE

## STATEMENT OF COMPLIANCE

The Directors confirm that the Group has complied with the Code of Best Practice issued by the Cadbury Committee on the Financial Aspects of Corporate Governance. The Auditors have reported to the Board on compliance with the code and their report is set out on page 18.

## BOARD STRUCTURE

The Board comprises three Non-Executive Directors and four Executive Directors. By invitation, the Managing Directors of other subsidiaries attend Board Meetings as required. The Board normally meets six times a year although additional meetings are arranged as required. All Directors except the Chairman are subject to retirement by rotation.

## AUDIT COMMITTEE

The Audit Committee is chaired by Mr W Wallis and its membership is shown on page 47. It meets at least twice a year and its agenda includes all matters pertaining to the performance of the Group and the internal financial controls reported upon by auditors or deemed to be of importance by any member. The Committee also recommends the appointment, scope and fees of the external auditors.

## REMUNERATION COMMITTEE

The Remuneration Committee is chaired by Mr E Bostwick and its membership is listed on page 47. The prime responsibilities of the Committee are to determine the remuneration of the executive directors. There is a separate report from the Remuneration Committee on page 17.

## PENSION COMMITTEE

The company operates a defined benefit pension scheme covering the majority of employees. The pension scheme is financed through a separate trust fund administered by trustees with an Independent Chairman.

The Board has established a pension committee chaired by Mr P Greenwood, its membership is listed on page 47. The purpose of the committee is to keep under review the present and future Group pension requirements and status of the scheme.

## INTERNAL FINANCIAL CONTROL

The Directors are responsible for ensuring that the Group maintains a system of internal financial controls. The system is designed to ensure proper accounting records and the reliability of financial information used in the business. As with any such system, it can only provide reasonable, but not absolute, assurance against material misstatement or loss.

# CORPORATE GOVERNANCE

The Group's key procedures which complement its decentralised management and legal structure are as follows:

**a) Control Environment**

Each subsidiary has its own management group which meets regularly to monitor all operational matters.

The managing director of each subsidiary reports to the Group Chief Executive. Clearly defined lines of responsibility and delegation of authority have been established within this organisational structure.

The executive directors visit all operating companies regularly to review activities on a detailed basis.

**b) Risk Management**

Operating subsidiary management have a clear responsibility for identifying risks facing the business and for establishing procedures to mitigate and monitor such risks.

**c) Information Systems**

The Group has a comprehensive system of financial reporting. The annual budget of each operating company and the consolidated Group budget is approved by the Board. Management accounts including profit and loss accounts, balance sheets and cash flows are published monthly, together with monthly operating reports identifying key features of the results and providing explanations of significant deviations from budget, prior year, and full year forecasts.

**d) Control Procedures**

The Directors have established a framework of controls encompassing a number of procedures which are applicable to all companies and are subject to executive review.

Within this framework subsidiaries define their own internal procedures and policies. The Group has introduced a self-assessment process to allow operating units to quantify the extent of their compliance with control objectives. This process is monitored by the Chairman and Group Finance Director.

The Audit Committee and the full Board of Directors have reviewed the effectiveness of the Group's system of internal financial controls.

## GOING CONCERN

After making enquiries, the Directors are confident that the Company and Group have adequate resources to continue in operational existence for the foreseeable future, and for this reason they continue to adopt the going concern basis for preparing the financial statements. In forming this view the Directors have reviewed the Group's budgets for the current year and outline plans for the following two years including capital expenditure plans and cash flow forecasts.



# CORPORATE GOVERNANCE

## REMUNERATION COMMITTEE REPORT

The Board fully supports the Code of Best Practice issued by the Greenbury Committee and our policy is to implement its recommendations.

The Group complies with the Best Practice provisions in respect of its Remuneration Committee and has given full consideration to the Best Practice provisions regarding remuneration policy, service contracts and compensation.

The Committee meets at least twice a year and its broad responsibility is to ensure that the remuneration packages of the Group Executive Directors are competitive and designed to attract, retain and motivate managers of high quality. The Committee utilises the advice of independent consultants in its consideration of what comparable companies are paying and in setting annual salaries, incentive schemes, pension arrangements, car and health care benefits.

Bonus payments for Group Executive Directors are at the discretion of the Remuneration Committee. When made they are cash payments made annually in arrears. They are set by reference to individual performance, and profit targets of the Group or relevant subsidiary company. Bonuses paid in 1996 to Executive Directors relating to their 1995 performance varied between 10% and 15% of their 1996 salary. No bonus payments will be made in 1997 in relation to 1996 performance.

A proposal for a new Executive Share Option scheme is being placed before shareholders at the forthcoming Annual General Meeting to replace the existing scheme which finished in 1996. Executive Directors along with other employees have benefited from the scheme in the past and it is intended that this will continue with the proposed scheme. Details of share options granted to Executive Directors appear on page 21 of the Directors' report.

The remuneration of the Non-Executive Directors is determined by the full Board. Non Executive Directors do not participate in bonuses, or share options.

The emoluments of Directors who served in the year are set out in note 21 to the accounts. Their interests are set out in the Directors Report.

The contracts of service of the Group Executive Directors include notice periods for termination of twelve months for all apart from Mr Kopf whose contract is until July 1998 however Mr. Kopf intends to retire in July 1997. Directors including Non Executive Directors retire from the Board by rotation.

On behalf of the Board

E Bostwick  
Chairman, Remuneration Committee  
19 February 1997

# CORPORATE GOVERNANCE

## REPORT BY THE AUDITORS TO THE DIRECTORS OF PORVAIR PLC ON CORPORATE GOVERNANCE MATTERS

In addition to our audit of the accounts we have reviewed your statement on page 15 concerning the Group's compliance with the paragraphs of the Cadbury Code of Best Practice specified for our review by the London Stock Exchange and the adoption of the going concern basis in preparing the accounts. The objective of our review is to draw attention to non-compliance with the Listing Rules 12.43(j) and 12.43(v), if not otherwise disclosed.

### Basis of Opinion

We carried out our review having regard to guidance issued by the Auditing Practices Board. That guidance does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of either the Group's system of internal financial control or corporate governance procedures nor on the ability of the Group to continue in operational existence.

### Opinion

In our opinion, your statements on internal financial control on and on going concern set out on pages 15-17 have provided the disclosures required by the Listing Rules referred to above and are consistent with the information which came to our attention as a result of our audit work on the accounts.

In our opinion, based on enquiry of certain directors and officers of the Company and examination of relevant documents, your statement on page 15 appropriately reflects the Group's compliance with the other aspects of the Code specified for our review by Listing Rule 12.43(j).



Price Waterhouse

Chartered Accountants and Registered Auditors

9 Bond Court, Leeds LS1 2SN

19 February 1997

# DIRECTORS' REPORT

The Directors present their report and the audited accounts of the Group for the year ended 30 November 1996.

## PRINCIPAL ACTIVITIES

The Group's major activity during the year was the manufacture and marketing of microporous materials.

## REVIEW OF BUSINESS

The Group's trading results and a review of the future developments are given in the Chairman's Statement and the Operating and Financial Reviews.

## PROFITS AND DIVIDENDS

The Group's profit after taxation and minority interests for the financial year is £2,758,000 (1995: £3,542,000).

An interim dividend of 1.9p per Ordinary share was paid on 27 September 1996, and the Directors now recommend the payment of a final dividend of 3.7p per Ordinary share payable on 10 April 1997 to shareholders on the register at the close of business on 14 March 1997. The total dividend will amount to £1,428,000 (1994: £1,191,000) and the remaining profit of £1,330,000 (1995: £2,351,000) will be added to reserves.

The ex dividend date is 10 March 1997.

## DIRECTORS AND THEIR INTERESTS

Details of the current Directors are given on page 48. Details of the beneficial interests of Directors in the shares of the Company at the end of the year are given below according to the register maintained by the Company under Section 325 of the Companies Act 1985.

	1996		1995	
	Ordinary Shares	Share Options	Ordinary Shares	Share Options
J M Morgan	791,417	-	791,417	-
L G Bingham	11,475	46,475	-	52,950
E Bostwick	12,018	-	12,018	-
P W Greenwood	1,875	-	1,875	-
R E Kopf	214,733	24,000	112,670	-
K J Symonds	30,474	51,770	30,474	31,770
W O F Wallis	9,375	-	9,375	-

There were no changes in any of the above shareholdings up to the date of this report.

# DIRECTORS' REPORT

Details of the share options granted under the Porvair Share Option Scheme are as follows:

Director	at 1 December 1995	Number of options exercised	Granted	at 30 November 1996	Exercise Price	Date from which Exercisable	Expiry Date
L G Bingham	26,475	26,475	-	-	127.48p	23/10/95	23/10/02
L G Bingham	26,475	-	-	26,475	236.08p	07/10/96	07/10/03
L G Bingham	-	-	20,000	20,000	413.00p	07/03/99	07/03/06
K J Symonds	15,885	-	-	15,885	127.48p	23/10/95	23/10/02
K J Symonds	15,885	-	-	15,885	236.08p	07/10/96	07/10/03
K J Symonds	-	-	20,000	20,000	413.00p	07/03/99	07/03/06
R E Kopf	-	-	24,000	24,000	413.00p	07/03/99	07/03/06

- No Directors' options lapsed in the year.
- The market price of the shares at 30 November 1996 was 230p, and 396p at the date of exercise by Mr Bingham.
- The range of market price during the year was 180p to 431p.

None of the Directors had a material interest in any contract of significance in relation to the company or its subsidiaries during the year. In accordance with the Articles of Association, Mr E Bostwick and Mr W Wallis retire by rotation and being eligible offer themselves for re-election. Mr L B Bingham was appointed to the Board on 1 May 1996 and offers himself for re-election at the next following Annual General Meeting. During the year the Group maintained insurance providing liability cover for its Directors.

## RESEARCH AND DEVELOPMENT

The Group has a continuing research and development programme with the object of increasing profitability and evaluating new business opportunities.

The cost to the Group in the year under review was £2,123,000 (1995: £1,334,000). The expenditure is of a development nature and is largely undertaken in-house, rather than by third parties. Development expenditure is incurred by all Group companies.

Over the last five years £6.1m has been spent on research and development and usually represents around 4% of Group turnover. It is estimated that approximately 38% of 1996 sales (1995 : 34%) are attributable to new products introduced in the last five years.

## FIXED ASSETS

In the opinion of the Directors the present value of the Group's land and buildings is approximately £1.5m in excess of book value.

Capital expenditure on plant, equipment and motor vehicles was £1,778,000 (1995 : £3,018,000). The principle items were the expansion of manufacturing facilities at Porvair International, Selee and Porvair Technology.

# DIRECTORS' REPORT

## SUBSTANTIAL SHAREHOLDERS

In addition to the shareholdings of Directors and their families set out above, the Company has been notified of the following substantial shareholdings as at 19 February 1997.

	Ordinary shares	Percentage
T R Smaller Companies Trust plc	1,500,000	5.9
BAT Industries plc	1,516,393	5.9
Laminvest NV	1,198,277	4.7
Morgan Grenfell UK Smaller Company Exempt Fund	951,000	3.7
Foreign & Colonial Enterprise Trust plc	925,000	3.6
B.S. Pension Fund Trustee Limited	793,000	3.1
Royal & Sun Alliance Group plc	790,250	3.1

## EMPLOYEE POLICIES

### Communication

The Group maintains and develops the involvement of employees through both formal and informal systems of communication and consultation. Managers have a responsibility to communicate effectively and to promote a better understanding by employees of the activities and performance of the Group. Employee consultative committees regularly meet to ensure that management obtain the representative views of employees concerning any decisions that affect them. Information relating to trading, company strategy and any other matters of significance are communicated to all employees through daily and monthly meetings and twice a year through formal presentations.

### Equal Opportunities

It is the Group's policy to recruit, train and promote and treat all our personnel on grounds solely based on individual ability and performance. These principles are applied regardless of sex, race, colour, religion, age, nationality or ethnic origin.

### Health, safety and environment

The Group recognises its clear responsibilities for the health and safety of its employees and to the communities in which the Group operates. A health and safety committee comprising representatives from management and employees regularly reviews and inspects the conditions in which our employees work. The Group consistently considers methods of improving safety and our environmental responsibilities.

### Disabled persons

Applications for employment by disabled persons are always fully considered bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Group continues and the appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of a disabled person should, so far as possible, be identical to that of a person who is fortunate enough not to suffer from a disability.

# DIRECTORS' REPORT

## GROUP PENSION SCHEME

The Group has a defined benefit pension scheme covering the majority of employees. See Note 19 for further information.

## CHARITABLE AND POLITICAL CONTRIBUTIONS

The Group made charitable donations of £11,000 during the year (1995 : £3,000). No political donations were made.

## CLOSE COMPANY PROVISIONS

The Company is not so far as is known a close company within the provisions of the Income and Corporation Taxes Act 1988.

## SPECIAL BUSINESS AT THE ANNUAL GENERAL MEETING

At the Annual General Meeting to be held on 9 April 1997, in addition to the ordinary business, three resolutions will be proposed. Resolutions 7 and 8 renew the Directors' authorities to allot securities up to specified limits.

The authority sought under Section 80 of the Companies Act 1985, would permit the allotment of relevant securities to a maximum nominal value of £185,125. This represents one third of the issued share capital of the Company as at 19 February 1997, together with the 754,831 Ordinary shares reserved for issue in respect of outstanding options under the Porvair Share Option Scheme 1986.

Resolution 9 is to gain shareholders' approval to a new Executive Share Option scheme. The Company's Share Option scheme established in 1986 provided for options to be granted to Group executives selected by the Board and to be exercisable between 3 and 10 years following their grant. The authority given by shareholders in 1986 to grant options under the scheme expired on 28 February 1996. Accordingly, it is proposed to adopt a new scheme taking account of changes or proposed changes in legislation, practice and institutional share scheme guidelines.

The new scheme will allow options to be granted over existing shares as well as new shares. Further, the scheme will allow options to be granted with the benefit of Inland Revenue approval up to a limit of £30,000 worth of options per option holder (or such other limit as may from time to time be allowed by the Inland Revenue). Options in excess of £30,000 will be granted as unapproved options under a schedule to the new scheme. All options will include provisions for a performance target to be achieved before options may be exercised. It is intended that, initially, the performance target attached to options will specify that the options will normally only be exercisable if the increase in the Company's earnings per share over a three year period has exceeded the increase in the Retail Price Index by at least 6% over that period.

An Ordinary Resolution to adopt the new executive share option scheme is proposed in the Notice convening the Annual General Meeting which appears on page 49. Subject to shareholders approving the introduction of the new scheme, it is proposed that the Remuneration Committee should consider making an initial grant of options within 42 days of the Annual General Meeting.

Copies of the draft rules of the Porvair Executive Share Option Scheme may be inspected at the registered office of the Company, and at the offices of Travers Smith Braithwaite, 10 Snow Hill, London EC1A 2AL during normal working hours on any weekday (Saturdays and public holidays excluded) up to and including the date of the Meeting. They may also be inspected for at least 15 minutes prior to, and during, the Meeting.

# DIRECTORS' REPORT

## SUPPLIER PAYMENT POLICY

The Group's policy concerning the payment of suppliers is either to agree terms of payment at the start of business with each supplier or to ensure that the supplier is made aware of the Group's standard payment terms, and in either case to pay in accordance with its contractual or other legal obligations.

## DIRECTORS' RESPONSIBILITIES

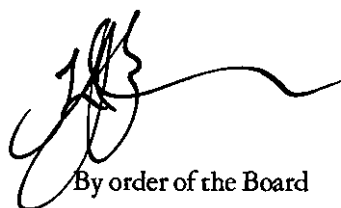
Company law requires the Directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company and of the Group and of the profit or loss of the Group for that period. In preparing those accounts, the Directors are required to:-

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts;
- adopt the going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business.

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

## AUDITORS

The auditors, Price Waterhouse, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.



By order of the Board

K.J. Symonds

Secretary

19 February 1997

# AUDITORS' REPORT TO THE SHAREHOLDERS OF PORVAIR PLC

We have audited the accounts on pages 26 to 45 which have been prepared under the historical cost convention and the accounting policies set out on page 30.

## **Respective responsibilities of Directors and auditors.**

As described on page 24, the Company's Directors are responsible for the preparation of accounts.

It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

## **Basis of opinion**

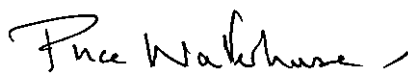
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An Audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by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

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

## **Opinion**

In our opinion the accounts on pages 26 to 45 give a true and fair view of the state of affairs of the Company and the Group as at 30 November 1996 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse



Chartered Accountants and Registered Auditors

9 Bond Court

Leeds

LS1 2SN

19 February 1997



# CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30 NOVEMBER 1996

	Note	Existing Operations 1996 £'000	Acquisitions 1996 £'000	Group 1996 £'000	Group 1995 £'000
<b>TURNOVER -</b>					
Continuing operations	2	51,520	3,907	55,427	39,924
Cost of sales		(35,224)	(3,063)	(38,287)	(26,971)
<b>GROSS PROFIT</b>		16,296	844	17,140	12,953
Distribution costs		(1,635)	(122)	(1,757)	(1,324)
Administrative expenses		(9,895)	(972)	(10,867)	(6,446)
Other operating income		348	-	348	353
<b>OPERATING PROFIT - Continuing operations</b>		5,114	(250)	4,864	5,536
Other interest receivable and similar income				10	38
Interest payable and similar charges				(723)	(454)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	3			4,151	5,120
Tax on profit on ordinary activities	4			(1,385)	(1,568)
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>				2,766	3,552
Equity minority interests				(8)	(10)
<b>PROFIT FOR THE FINANCIAL YEAR</b>				2,758	3,542
Dividends	5			(1,428)	(1,191)
<b>RETAINED PROFIT FOR THE FINANCIAL YEAR</b>	15			1,330	2,351
<b>EARNINGS PER SHARE</b>	22			11.0p	18.0p

# RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

FOR THE YEAR ENDED 30 NOVEMBER 1996

	Group		Company	
	1996 £'000	1995 £'000	1996 £'000	1995 £'000
<b>PROFIT FOR THE FINANCIAL YEAR</b>	2,758	3,542	501	2,326
Dividends	(1,428)	(1,191)	(1,428)	(1,191)
<b>RETAINED PROFIT/(LOSS) FOR THE FINANCIAL YEAR</b>	1,330	2,351	(927)	1,135
New share capital subscribed	3,294	26,411	3,294	26,411
Issue costs written off	-	(535)	-	(535)
Shares to be issued	(3,868)	3,868	(3,868)	3,868
Goodwill written off	(1,423)	(23,301)	-	-
Exchange differences	(298)	117	103	-
<b>NET (REDUCTION IN)/ADDITION TO EQUITY SHAREHOLDERS' FUNDS</b>	(965)	8,911	(1,398)	30,879
Opening equity shareholders' funds	22,959	14,048	45,678	14,799
<b>CLOSING EQUITY SHAREHOLDERS' FUNDS</b>	21,994	22,959	44,280	45,678

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	Group		Company	
	1996 £'000	1995 £'000	1996 £'000	1995 £'000
<b>PROFIT ATTRIBUTABLE TO SHAREHOLDERS</b>	2,758	3,542	501	2,326
Exchange differences on retranslation of net assets of subsidiary undertaking and foreign borrowings	(298)	117	103	-
<b>TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR</b>	2,460	3,659	604	2,326

There is no difference between the results as disclosed in the profit and loss account and the results on an unmodified historical cost basis.

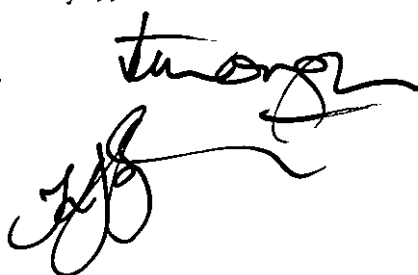
# BALANCE SHEETS

AS AT 30 NOVEMBER 1996

	Notes	Group 1996 £'000	Group 1995 £'000	Company 1996 £'000	Company 1995 £'000
<b>FIXED ASSETS</b>					
Tangible assets	7	15,407	16,185	9,814	10,339
Investments	24	4	4	29,860	26,417
		15,411	16,189	39,674	36,756
<b>CURRENT ASSETS</b>					
Stocks	8	11,511	8,882	7,333	6,820
Debtors	9	14,997	15,156	7,600	8,772
Cash at bank and in hand		31	1,671	2,076	3,326
		26,539	25,709	17,009	18,918
<b>CREDITORS: amounts falling due within one year</b>	10	(14,636)	(15,048)	(8,486)	(8,896)
<b>NET CURRENT ASSETS</b>		11,903	10,661	8,523	10,022
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		27,314	26,850	48,197	46,778
<b>CREDITORS: amounts falling due after more than one year</b>	11	(5,320)	(3,903)	(3,917)	(1,100)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	13	-	-	-	-
		21,994	22,947	44,280	45,678
<b>CAPITAL AND RESERVES</b>					
Called up share capital	14	510	492	510	492
Share premium account	15	829	31,559	829	31,559
Shares to be issued	15	-	3,868	-	3,868
Other reserves	16	6,822	(25,463)	1,054	951
Profit and loss account	15	13,833	12,503	41,887	8,808
<b>TOTAL EQUITY SHAREHOLDERS' FUNDS</b>		21,994	22,959	44,280	45,678
Equity minority interests		-	(12)	-	-
		21,994	22,947	44,280	45,678

Approved by the Board on 19 February 1997

J M Morgan }  
K J Symonds } Directors



# CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 NOVEMBER 1996

	Notes	Group 1996 £'000	Group 1995 £'000
CASH FLOW FROM OPERATING ACTIVITIES	27	5,317	3,094
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	26(a)	(696)	(445)
TAXATION	26(b)	(1,790)	(1,290)
CAPITAL EXPENDITURE	26(c)	(1,778)	(3,018)
ACQUISITIONS AND DISPOSALS	26(d)	(2,245)	(17,216)
EQUITY DIVIDENDS PAID		(1,395)	(775)
FINANCING	26(e)	1,916	20,844
<u>(DECREASE)/INCREASE IN CASH IN THE YEAR</u>		<u>(671)</u>	<u>1,194</u>

The 1995 comparative figures have been restated to reflect the requirements of FRS1 (Revised).

# NOTES TO THE ACCOUNTS

## 1. ACCOUNTING POLICIES

**Convention** - The financial information has been prepared under the historical cost convention and complies with all applicable accounting standards.

**Basis of consolidation** - The consolidated accounts comprise the accounts of the Company and all its subsidiaries at 30 November 1996. The results of subsidiaries are accounted for in the profit and loss account as from the effective date of acquisition. Where businesses are acquired, any difference between the cost of acquisition and the fair value of the underlying net assets is written-off in the year of acquisition.

The accounts of the company include the activities of Porvair International Limited and Porvair Technology Limited. These two companies are dormant and act as agents for Porvair plc.

**Fixed assets and depreciation** - Fixed assets, including items leased under finance leases, are capitalised at cost. Freehold land and assets under construction are not depreciated. Other fixed assets are depreciated by equal annual amounts over their estimated useful lives. Annual depreciation rates are 2.5% for freehold buildings, 10% to 33.33% for plant, machinery and equipment, and 25% for motor vehicles. Rentals under operating leases are charged to the profit and loss account as incurred.

**Government grants** - Grants relating to tangible fixed assets are treated as deferred income and released to the profit and loss account over the expected useful life of the assets. Revenue grants are credited to the profit and loss account in the period in which the related expenditure is incurred.

**Stocks and work in progress** - Stocks and work in progress are stated at the lower of cost and net realisable value. Cost includes direct materials, labour and an appropriate proportion of manufacturing overhead.

**Patents and trade marks** - All expenditure on the registration, renewal and maintenance of patents and trade marks is written off as incurred.

**Research and development** - Technical research and development expenditure is written off as incurred.

**Foreign exchange** - Assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the end of the financial year. The results of foreign subsidiary undertakings are translated at the average rate for the year. Differences on exchange arising from the retranslation of the opening net investment in subsidiary undertakings and from the translation of the results of those undertakings at an average rate, are taken to reserves. All other foreign exchange differences are taken to the profit and loss account in the year in which they arise.

Gains and losses on forward foreign exchange contracts, entered into as hedges of future purchases and sales denominated in foreign currency, are carried forward and taken to the profit and loss account on maturity to match the underlying transactions.

**Deferred taxation** - The Group only provides for deferred taxation where in the opinion of the Directors there is a reasonable probability that a liability for taxation will crystallise in the foreseeable future.

**Pensions** - Pension costs for the Group's defined benefit pension scheme are charged to the profit and loss account so as to spread the cost of pensions over the service lives of employees in the scheme.

**Turnover** - Turnover represents amounts invoiced to external customers in the ordinary course of business.

**Investments** - Investments held as fixed assets are stated at cost less provision for permanent diminution of value.

# NOTES TO THE ACCOUNTS

## 2. SEGMENT INFORMATION

	Group 1996 £'000	Group 1995 £'000
A geographical analysis of the Group's turnover is as follows:		
United Kingdom	10,314	6,590
Continental Europe	8,525	7,051
Americas	25,833	15,465
Asia	6,321	7,206
Australasia	704	572
Africa	3,730	3,040
	<u>55,427</u>	<u>39,924</u>

All sales of Porvair International, Comfort Barrier Systems, Porvair Sciences, Porvair Technology and Porvair Ceramics were generated by UK activities and Selee sales originate from the United States.

The analysis of the Group results and net assets by activity is as follows:

### YEAR TO 30 NOVEMBER 1996

	Porvair International Comfort Barrier Systems & Others £'000	Selee £'000	Porvair Technology £'000	Porvair Sciences £'000	Porvair Ceramics £'000	Total £'000
Turnover	22,084	19,739	6,839	1,359	5,406	55,427
Operating Profit before central costs	674	2,940	860	334	956	5,764
Central Costs	(385)	(313)	(124)	(8)	(70)	(900)
Operating Profit	289	2,627	736	326	886	4,864
Net Assets before borrowings	14,539	9,079	3,318	248	1,493	28,677
Borrowings						(6,683)
Equity						21,994

### YEAR TO 30 NOVEMBER 1995

Turnover	20,274	8,559	6,813	647	3,631	39,924
Operating Profit before central costs	3,341	1,794	873	36	279	6,323
Central Costs	(426)	(173)	(155)	(18)	(15)	(787)
Operating Profit	2,915	1,621	718	18	264	5,536
Net Assets before borrowings	13,881	8,604	3,312	335	1,636	27,768
Borrowings						(4,821)
Equity						22,947

# NOTES TO THE ACCOUNTS

	Group 1996 £'000	Group 1995 £'000
<b>3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		
Profit on ordinary activities before taxation is stated after charging/(crediting):		
<b>STAFF COSTS:</b>		
Wages and salaries	12,642	9,370
Social security costs	1,119	778
Other pension costs (Note 19)	966	662
	<u>14,727</u>	<u>10,810</u>
<b>OPERATING LEASE COSTS:</b>		
Land and buildings	166	135
Plant, machinery and vehicles	352	319
	<u>518</u>	<u>454</u>
<b>DEPRECIATION:</b>		
Owned assets	2,361	1,820
Leased assets	-	31
	<u>2,361</u>	<u>1,851</u>
<b>PROFIT ON SALE OF TANGIBLE FIXED ASSETS</b>	(126)	-
<b>INTEREST PAYABLE ON BANK AND OTHER BORROWINGS:</b>		
repayable within five years	723	422
repayable after five years	-	32
	<u>723</u>	<u>454</u>
<b>INTEREST RECEIVABLE</b>	(10)	(38)
<b>INCOME FROM GOVERNMENT GRANTS</b>	(81)	(81)
<b>RESEARCH AND DEVELOPMENT</b>	2,123	1,334

Fees paid to auditors in respect of the Group amounted to £75,000 (1995: £54,000) in respect of audit work, and £35,000 (1995: £157,000) in respect of non-audit work.

Included in profit on sale of tangible fixed assets is a profit of £135,000 in respect of the sale of surplus land in the USA in July 1996.

# NOTES TO THE ACCOUNTS

	Group 1996 £'000	Group 1995 £'000
<b>4. TAX ON PROFIT ON ORDINARY ACTIVITIES</b>		
Taxation on the profit for the year:		
UK corporation tax at 33% (1995 : 33%)	828	1,071
Over provision in prior years	-	(150)
Overseas tax payable	557	647
	<u>1,385</u>	<u>1,568</u>

No deferred taxation has been provided as there is no foreseeable liability at 30 November 1996 (30 November 1995: £ nil). Had full provision for deferred tax been made at current rates of taxation the potential liability to tax would be as follows:-

Accelerated capital allowances	2,127	1,868
Short term timing differences	(166)	(64)
	<u>1,961</u>	<u>1,804</u>

## **5. DIVIDENDS**

Dividends on equity shares:		
Interim dividend paid	484	280
Final dividend proposed	944	911
	<u>1,428</u>	<u>1,191</u>

## **6. COMPANY PROFIT FOR THE FINANCIAL YEAR**

As permitted by Section 230 of the Companies Act 1985, no profit and loss account is presented for the Holding Company.

The loss attributable to the Company which has been dealt with in the accounts is £927,000 (1995: profit of £1,135,000)

Audit fees incurred by the Company amounted to £24,000 (1995: £28,000).



# NOTES TO THE ACCOUNTS

	Freehold Land and Buildings £'000	Plant, Machinery & Equipment £'000	Assets in course of Construction £'000	Motor Vehicles £'000	Total £'000
<b>7. TANGIBLE FIXED ASSETS</b>					
<b>Group</b>					
<b>COST</b>					
At 1 December 1995	2,366	20,420	2,874	29	25,689
Reclassification	198	2,747	(2,945)	-	-
Additions	30	530	1,364	11	1,935
Acquisitions	12	155	-	-	167
Disposals	(21)	(1)	-	(11)	(33)
Exchange differences	(121)	(330)	(134)	-	(585)
At 30 November 1996	2,464	23,521	1,159	29	27,173
<b>DEPRECIATION</b>					
At 1 December 1995	362	9,135	-	7	9,504
Charge for year	68	2,285	-	8	2,361
Acquisitions	1	35	-	-	36
Disposals	-	(1)	-	(1)	(2)
Exchange differences	(10)	(123)	-	-	(133)
At 30 November 1996	421	11,331	-	14	11,766
<b>NET BOOK AMOUNT</b>					
At 30 November 1996	2,043	12,190	1,159	15	15,407
At 30 November 1995	2,004	11,285	2,874	22	16,185
<b>Company</b>					
<b>COST</b>					
At 1 December 1995	1,015	16,205	1,222	13	18,455
Reclassification	-	1,264	(1,264)	-	-
Additions	-	362	855	11	1,228
Disposals	-	-	-	(11)	(11)
At 30 November 1996	1,015	17,831	813	13	19,672
<b>DEPRECIATION</b>					
At 1 December 1995	256	7,854	-	6	8,116
Charge for year	24	1,715	-	4	1,743
Disposals	-	-	-	(1)	(1)
At 30 November 1996	280	9,569	-	9	9,858
<b>NET BOOK AMOUNT</b>					
At 30 November 1996	735	8,262	813	4	9,814
At 30 November 1995	759	8,351	1,222	7	10,339

# NOTES TO THE ACCOUNTS

	Group		Company	
	1996	1995	1996	1995
	£'000	£'000	£'000	£'000
<b>7. TANGIBLE FIXED</b>				
<b>ASSETS - (continued)</b>				

## CAPITAL COMMITMENTS

Authorised but not contracted for	785	1,052	395	998
Authorised and contracted for	216	199	134	139

## 8. STOCKS

Raw materials and consumables	3,831	2,903	1,888	2,289
Work in progress	1,625	1,036	1,264	699
Finished goods and goods for resale	6,055	4,943	4,181	3,832
	11,511	8,882	7,333	6,820

## 9. DEBTORS

Trade debtors	13,220	13,604	6,390	7,918
Amounts owed by associate undertakings	129	164	270	-
VAT recoverable	474	190	411	190
ACT recoverable	236	227	236	227
Other debtors	491	313	79	93
Prepayments	447	658	214	344
	14,997	15,156	7,600	8,772

## 10. CREDITORS:

### amounts falling due within one year

Bank overdraft (unsecured)	95	1,113	-	-
Bank loans (Note 12)	1,299	1,476	150	150
Trade creditors	7,862	7,317	4,361	4,864
Taxation and social security	590	455	380	364
Proposed dividend	944	911	944	911
Accruals & Deferred Income	2,358	1,984	1,590	1,262
Corporation tax	1,488	1,792	1,061	1,345
	14,636	15,048	8,486	8,896

## 11. CREDITORS:

### amounts falling due after more than one year

Bank loans (Note 12)	4,820	3,403	3,417	600
ECSC loan (Note 12)	500	500	500	500
	5,320	3,903	3,917	1,100

# NOTES TO THE ACCOUNTS

## 12. BANK LOANS

	Group		Company	
	1996	1995	1996	1995
	£'000	£'000	£'000	£'000
Unsecured Bank loan repayable by four annual instalments of £150,000 falling due in the period 23 April 1997 to 23 April 2000. Interest is charged at 1% above LIBOR.	600	750	600	750
Unsecured ECSC loan repayable by four annual instalments of £125,000 falling due in the period 3 August 1998 to 3 August 2001. Interest is charged at an effective rate of 6.1%.	500	500	500	500
Unsecured Bank loan repayable by four annual instalments of £742,000 falling due in the period 14 August 1998 to 14 August 2001. Interest is charged at a fixed rate of 7.2%.	2,967	-	2,967	-
Five year term loan bearing interest at variable rates (7.84% at 30 November 1996), payable in monthly instalments of £59,000 plus interest up to March 1997 increasing to £69,000 plus interest up to March 1998; with final monthly instalments of £79,000 plus interest up to March 1999.	2,018	2,934	-	-
Two year term loan bearing interest at variable rates (8.78% at 30 November 1995), payable in monthly instalments of £54,000 plus interest up to March	-	217	-	-
Term loan bearing interest at variable rates (7.84% at 30 November 1996), payable in monthly instalments of £30,000 plus interest up to May 1998.	534	978	-	-
	6,619	5,379	4,067	1,250

The secured loan agreements require Selee Holding Company to comply with certain financial and non-financial covenants. The majority of the assets of Selee have been pledged as collateral for the aforementioned loans. Selee entered into an interest rate swap agreement that expires in 1999 to exchange variable 30 day LIBOR rate plus 2.0% payments for 7.5% fixed-rate payments on a notional amount equal to the balance of the five-year term loan. This agreement effectively converts the variable rate borrowing under the five-year term loan to a 7.5% fixed-rate obligation. The interest rate differential received or paid is recognised as an adjustment to interest expense. Interest rate differential receipts under the swap agreement were nil for the year end 30 November 1996. To the extent that the variable rate on the five year term loan exceeds the fixed rate under the swap agreement, the Company is exposed to credit risk in the event of default by the counter party of the swap agreement. The swap had a favourable market value of approximately £1,000 as of 30 November 1996.

	Group		Company	
	1996	1995	1996	1995
	£'000	£'000	£'000	£'000
Bank loans and other borrowings of the Group are repayable as follows:				
Within one year	1,299	1,479	150	150
One to two years	2,103	1,414	1,016	150
Two to five years	3,217	2,361	2,901	825
Over five years	-	125	-	125
	6,619	5,379	4,067	1,250

# NOTES TO THE ACCOUNTS

## 13. PROVISIONS FOR LIABILITIES AND CHARGES

There were no provisions for liabilities and charges in 1996 (1995 : nil).

14. CALLED UP SHARE CAPITAL	Group		Company	
	1996 £'000	1995 £'000	1996 £'000	1995 £'000
Authorised:				
34,400,000 Ordinary shares of 2p each (1995:34,400,000 ordinary shares)	688	688	688	688
Allotted and fully paid:				
25,505,676 Ordinary shares of 2p each (1995:24,610,991)	510	492	510	492

Movements in the number of Ordinary shares during the year were:-

	Number
At 1 December 1995	24,610,991
Shares issued as fully paid:	
In respect of deferred consideration on acquisition of Selee Corporation in March 1996 @ £3.96	598,610
In respect of consideration arising on acquisition of Porvair Ceramics Limited minority shareholding in August 1996 @ £4.10	182,926
On exercise of options	113,149
At 30 November 1996	25,505,676
Options exercised during the year were: 26,475 @ 236.08p and 86,674 @ 127.48p	

## SHARE OPTIONS

The following options over Ordinary shares granted under the Porvair Share Option Scheme 1986 remain outstanding at 30 November 1996:

Number of shares	Subscription price	Exercise period
5,483	84.81p	1992 - 1999
56,599	127.48p	1995 - 2002
179,501	236.08p	1996 - 2003
76,248	269.13p	1997 - 2004
437,000	413.00p	1999 - 2006

	Number
Movements in share options during the year were:-	
At 1 December 1995	444,747
Options granted	461,000
Options exercised	(113,149)
Options lapsed	(37,767)
At 30 November 1996	754,831

Options lapsed during the year were 24,000 at 413.00p and 13,767 at 236.08p.

# NOTES TO THE ACCOUNTS

<b>15. RESERVES</b>	<b>Shares to be issued £'000</b>	<b>Share premium account £'000</b>	<b>Profit and loss account £'000</b>
<b>GROUP</b>			
At 1 December 1995	3,868	31,559	12,503
Transfer arising from cancellation of Share Premium Account*	-	(34,006)	-
Premium on shares issued	-	3,276	-
Shares issued in respect of deferred consideration	(2,371)	-	-
Deferred shares not issued	(1,497)	-	-
Retained for year	-	-	1,330
<b>At 30 November 1996</b>	<b>-</b>	<b>829</b>	<b>13,833</b>
<b>COMPANY</b>			
At 1 December 1995	3,868	31,559	8,808
Transfer arising from cancellation of Share Premium Account*	-	(34,006)	34,006
Premium on shares issued	-	3,276	-
Shares issued in respect of deferred consideration	(2,371)	-	-
Deferred shares not issued	(1,497)	-	-
Retained for year	-	-	(927)
<b>At 30 November 1996</b>	<b>-</b>	<b>829</b>	<b>41,887</b>

\* A Special Resolution was passed at an Extraordinary General Meeting of the Company held on 3 April 1996 whereby the whole amount then standing to the credit of the Company's Share Premium account was cancelled and a special reserve of an identical amount was created against which goodwill arising on consolidation could be written off. The confirmation of the Court was obtained in accordance with the Companies Act 1985 on 19 June 1996.

<b>16. OTHER RESERVES</b>	<b>Goodwill Written Off £'000</b>	<b>Special Reserve £'000</b>	<b>Exchange Reserve £'000</b>	<b>Capital Reserve £'000</b>	<b>Total £'000</b>
<b>GROUP</b>					
At 1 December 1995	(26,531)	-	117	951	(25,463)
Transfer arising from cancellation of Share Premium account	26,531	7,475	-	-	34,006
Deferred shares not issued in respect of acquisition of Selee	-	1,497	-	-	1,497
Goodwill on acquisition of Aquatex	-	(1,697)	-	-	(1,697)
Goodwill on acquisition of Porvair Ceramics minority shareholding and other adjustments	-	(1,223)	-	-	(1,223)
Exchange difference on retranslation of net assets of subsidiary undertaking	-	-	(298)	-	(298)
<b>At 30 November 1996</b>	<b>-</b>	<b>6,052</b>	<b>(181)</b>	<b>951</b>	<b>6,822</b>

# NOTES TO THE ACCOUNTS

	Goodwill Written Off £'000	Special Reserve £'000	Exchange Reserve £'000	Capital Reserve £'000	Total £'000
<b>COMPANY</b>					
At 1 December 1995	-	-	-	951	951
Exchange difference on retranslation of foreign borrowings	-	-	103	-	103
As at 30 November 1996	-	-	103	951	1,054

	Group 1996		Group 1995	
	Land & Buildings £'000	Other £'000	Land & Buildings £'000	Other £'000
<b>17. OPERATING LEASE COMMITMENTS</b>				

The Group is committed to the following rentals during next year on operating leases expiring:-

Within one year	-	59	-	64
Within two to five years	-	262	-	302
Over five years	182	16	164	5
	182	337	164	371

## 18. CONTINGENT LIABILITIES

At 30 November 1996 there were no contingent liabilities (30 November 1995: £ Nil).

## 19. PENSION COSTS

The Company operates a defined benefit pension scheme covering the majority of employees. The pension scheme is financed through a separate trust fund administered by Trustees with an independent Chairman. Formal valuations of the pension scheme by a professionally qualified actuary are carried out at least every three years using the projected unit method. The latest actuarial valuation was at 1 April 1996. For the purposes of assessing pension costs under SSAP24, the principal actuarial assumptions adopted in that valuation were that over the long term, the return on investments would be 9.75% per annum, that salary increases would average 6% per annum plus a promotional scale and that future pensions would be limited to those provided on a statutory basis. The actuarial value of the assets on the funding basis was sufficient to cover only 89% (1995 : 85%) of the benefits that had accrued to members after allowing for expected future increases in pensionable remuneration, and the current funding deficiency amounted to £874,000. The Company's contributions are 13.44% and the Employees' contributions are 6% during 1996. The ongoing funding status of the plan is expected to reach 100% in 3 years. The pension cost charge for the year was £966,000. The funding via employer contributions was £966,000. The market value of the scheme's assets at 31 March 1996 was £8.0m (1995 : £6.8m). For its USA employees, the company operates a Defined Contribution Pension Plan (the "Pension Plan") covering all eligible full-time employees. The Company contributes to the Pension Plan 3% of each participant's compensation each year.

# NOTES TO THE ACCOUNTS

## 20. EMPLOYEES

The average number of persons employed by the Group in the United Kingdom during the year was 427 (1995: 420), of which 126 were based at Porvair Technology Limited, 39 at Porvair Ceramics Limited and 262 based at other companies, predominantly Porvair International Limited. The average number of employees in the USA was 198.

## 21. EMOLUMENTS OF DIRECTORS

Details of the Emoluments are as follows:

	Salary	Performance Related Pay	Other Emoluments	Total	Pension	1996 Total	1995 Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
J M Morgan (Chairman)	112	14	8	134	83	217	144
R G Kopf	122	-	7	129	5	134	-
K J Symonds	75	11	9	95	10	105	83
L G Bingham	44	-	3	47	6	53	-
A R Collinson	30	8	77	115	25	140	99
W O F Wallis	14	-	-	14	-	14	13
E Bostwick	14	-	-	14	-	14	13
P W Greenwood	14	-	-	14	-	14	12
N C Clarke	-	-	-	-	-	-	12
<b>TOTAL</b>	<b>425</b>	<b>33</b>	<b>104</b>	<b>562</b>	<b>129</b>	<b>691</b>	<b>376</b>

None of the above directors has a service contract with a notice period of over one year other than R G Kopf whose three year contract expires on 6 July 1998.

Other emoluments include £77,000 relating to compensation for loss of office paid to Mr A R Collinson of which £4,000 was a non-cash benefit relating to the transfer of a company car.

Performance related pay is based on the achievement of sales, profit and cash targets, and personal business objectives, and is awarded by the Remuneration Committee. Only basic salary is pensionable. Full details of share options granted to Directors are disclosed in Note 14 and the Directors Report.

## 22. EARNINGS PER SHARE

The earnings per share as shown in the profit and loss account are calculated by reference to the profit for the financial year and the average number of shares in issue during the year on a time weighted basis of 25,158,178 (1995: 19,719,943).

# NOTES TO THE ACCOUNTS

## 23. ACQUISITION OF SUBSIDIARY UNDERTAKINGS

On 21 December 1995 the Group acquired the entire share capital of Aquatex Functional Fabrics Limited a company registered in the United Kingdom. The transaction has been accounted for under the acquisition method of accounting. Details of the net assets, fair value adjustments and provisional goodwill arising on the acquisition are as follows:-

	Book Value £'000	Alignment with Porvair accounting policies £'000	Fair Value of assets acquired £'000
Tangible fixed assets	131	-	131
Stock	1071	(199)	872
Debtors	1274	-	1274
Cash	181	-	181
<b>Total assets</b>	<b>2657</b>	<b>(199)</b>	<b>2458</b>
Creditors	1602	35	1637
Taxation Provision	92	-	92
<b>Total liabilities</b>	<b>1694</b>	<b>35</b>	<b>1729</b>
Net assets	963	(234)	729
Costs associated with acquisition			(66)
Goodwill arising on acquisition			1697
<b>Purchase price</b>			<b>2360</b>
<b>Discharged by:</b>			
Cash paid			2360

The results of Aquatex Functional Fabrics Limited (Aquatex) since acquisition are shown under acquisitions in the Consolidated Profit and Loss Account.

The results of Aquatex for the 12 month period prior to acquisition were as follows:

	£'000
Turnover	4,348
Cost of sales	(3,325)
Gross profit	1,023
Distribution costs	(76)
Administration expenses	(618)
Operating Profit	329
Interest payable	(14)
Profit on ordinary activities before taxation	315



# NOTES TO THE ACCOUNTS

<u>24. FIXED ASSET INVESTMENTS</u>	Shares in subsidiary undertakings £'000	Loans to subsidiary undertakings £'000	Shares in associate undertaking £'000	Total £'000
Company				
At 1 December 1995	25,737	676	4	26,417
Additions	1,836	1,607	-	3,443
At 30 November 1996	27,573	2,283	4	29,860

Additions to shares in subsidiary and associate undertakings are recorded at cost.

The shares in the associate undertaking represent a 12.5% holding in Phoenix Travel (King's Lynn) Limited, a company which is registered and operates within Great Britain as a travel agency.

The Group owns 49% of Selee de Venezuela ("SDV"), a joint venture which is registered and operates in Venezuela. SDV produces ceramic filters for aluminium casters in South America. SDV was acquired with the acquisition of Selee Holding Company, but was written off as a fair value adjustment as a consequence of exchange control and relative political instability.

Details of the Group's subsidiaries are given in Note 25.

## 25. THE COMPANY AND ITS SUBSIDIARY UNDERTAKINGS

The results of the Company include the activities of Porvair International and Porvair Technology. The results of the Group consolidate the results of the Company with those of its subsidiary undertakings. The principal active subsidiary undertakings are as follows:

Name of Subsidiary Undertakings	Share Details	Percentage holding
Porvair Ceramics Limited	£1 Ordinary	100%
Porvair Sports Goods Limited	£1 Ordinary	100%
Porvair Sciences Limited	20p Ordinary	100%
(formerly Porvair Filtronics Ltd)	£1 Preference	100%
Comfort Barrier Systems Limited	£1 Ordinary	100%
(formerly Aquatex Functional Fabrics Ltd)		
Porvair Corporation	No Par Value	100%

In addition, the following dormant subsidiary undertakings act as agents for the Company:

Porvair International Limited	£1 Ordinary	100%
Porvair Technology Limited	£1 Ordinary	100%

All Companies are registered and operate within Great Britain except for Porvair Corporation which is registered and operates in the USA, and have been consolidated in the Group accounts. A full description of the subsidiary company businesses is given in the Operating Review.

All Group companies were audited by Price Waterhouse for the period under review.

# NOTES TO THE ACCOUNTS

	Group 1996 £'000	Group 1995 £'000
<b>26. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT</b>		
<b>(a) Returns on investments and servicing of finance</b>		
Interest received	10	38
Interest paid	(706)	(483)
<b>Net cash outflow from returns on investment and servicing of finance</b>	<b>(696)</b>	<b>(445)</b>
<b>(b) Taxation</b>		
UK Corporation tax paid	(960)	(906)
Overseas tax paid	(830)	(384)
<b>Net cash outflow from taxation</b>	<b>(1,790)</b>	<b>(1,290)</b>
<b>(c) Capital expenditure</b>		
Purchase of tangible fixed assets	(1,935)	(3,018)
Sale of tangible fixed assets	157	-
<b>Net cash outflow from capital expenditure</b>	<b>(1,778)</b>	<b>(3,018)</b>
<b>(d) Acquisitions and disposals</b>		
Purchase of subsidiary undertakings	(2,360)	(15,966)
Acquisition expenses	(66)	(1,370)
Cash acquired with subsidiary undertakings	181	120
<b>Net cash outflow from acquisitions and disposals</b>	<b>(2,245)</b>	<b>(17,216)</b>
<b>(e) Financing</b>		
Issue of equity share capital	173	22,194
Issue costs of equity share capital	-	(535)
Debt due after one year:		
New loan payable in two to five years	2,967	-
Repayment of loan	(1,727)	(631)
Exchange differences	503	(184)
<b>Net cash inflow from financing</b>	<b>1,916</b>	<b>20,844</b>

# NOTES TO THE ACCOUNTS

<b>27. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATIVE ACTIVITIES:</b>	Group 1996 £'000	Group 1995 £'000
Operating profit	4,864	5,536
Depreciation	2,361	1,851
Profit on sale of tangible fixed assets	(126)	-
Increase in stocks	(1,786)	(1,689)
Decrease/(increase) in debtors	1,048	(3,694)
(Decrease)/increase in creditors	(1,044)	1,090
Net cash inflow from operating activities	5,317	3,094

<b>28. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT</b>	Group 1996 £'000	Group 1995 £'000
(Decrease)/increase in cash in the year	(671)	1,194
Cash (inflow)/outflow from increase/(decrease) in debt	(1,743)	815
Change in net debt resulting from cash flows	(2,414)	2,009
Loans acquired with subsidiary undertakings	-	(4,610)
Exchange differences	552	(206)
Movement in net debt in the year	(1,862)	(2,807)
Net debt at the beginning of the year	(4,821)	(2,014)
Net debt at end of the year	(6,683)	(4,821)

<b>29. ANALYSIS OF NET DEBT</b>	at 1 Dec 1995 £'000	Cash flow £'000	Acquisitions (excl cash & o'drafts) £'000	Other non-cash changes £'000	Exchange Diffe- rences £'000	at 30 Nov 1996 £'000
Cash at bank and in hand	1,671	(1,640)	-	-	-	31
Overdrafts	(1,113)	969	-	-	49	(95)
		(671)				
Debt due:						
within 1 year	(1,476)	78	-	-	99	(1,299)
after 1 year	(3,903)	(1,821)	-	-	404	(5,320)
		(1,743)				
<b>TOTAL</b>	<b>(4,821)</b>	<b>(2,414)</b>	<b>-</b>	<b>-</b>	<b>552</b>	<b>(6,683)</b>

# NOTES TO THE ACCOUNTS

## 30. PURCHASE OF SUBSIDIARY UNDERTAKINGS

The subsidiary undertaking acquired during the year utilised £1,178,000 of the Group's net operating cash flows, paid £35,000 in respect of net returns on investments and servicing of finance and utilised £131,000 in respect of investing activities.

## 31. EQUITY MINORITY INTERESTS

In August 1996, the remaining 10% minority shareholding in Porvair Ceramics Limited was purchased for £900,000. This was discharged by the issue of 182,926 shares at the then ruling price of £4.10 and a deferred earnout capped at £150,000.

## 32. POST BALANCE SHEET EVENT

The Group acquired 100% of the ordinary capital of Permair Leathers Inc in December 1996, from private investors. The company employs forty people and manufactures and markets Permair leather to shoe manufacturers in the United States and overseas. Porvair paid £2m cash for the company with a warranted net asset value of £0.7m.

The acquisition, together with a planned joint venture in China, will assist in the growth of Porvair's Permair product.

# FIVE YEAR SUMMARY

	1996	1995	1994	1993	1992
	£'000	£'000	£'000	£'000	£'000

## FINANCIAL RECORD

### Profit and loss account

Turnover	55,427	39,924	24,832	21,893	17,947
Profit before taxation	4,151	5,120	3,105	2,551	2,017
Taxation	(1,385)	(1,568)	(870)	(561)	(388)
Profit after taxation	2,766	3,552	2,235	1,990	1,629
Equity minority interests	(8)	(10)	8	39	77
Profit for the financial year	2,758	3,542	2,243	2,029	1,706
Dividends	(1,428)	(1,191)	(742)	(648)	(553)
Retained profits	1,330	2,351	1,501	1,381	1,153

### Balance sheet

Fixed assets	15,411	16,189	10,194	9,296	8,842
Current assets	26,539	25,709	13,631	11,053	10,621
	41,950	41,898	23,825	20,349	19,463
Current liabilities	(14,636)	(15,048)	(8,528)	(6,393)	(6,462)
	27,314	26,850	15,297	13,956	13,001
Long term liabilities	(5,320)	(3,903)	(1,250)	(1,400)	(1,130)
Provisions for liabilities and charges	-	-	(60)	(84)	(690)
	21,994	22,947	13,987	12,472	11,181

### Capital and reserves

Called up share capital	510	492	309	308	307
Share premium account	829	31,559	5,866	5,845	5,804
Shares to be issued	-	3,868	-	-	-
Other reserves	6,822	(25,463)	(2,279)	(2,279)	(2,134)
Profit & loss account	13,833	12,503	10,152	8,651	7,270
Total equity shareholders' funds	21,994	22,959	14,048	12,525	11,247
Equity minority interests	-	(12)	(61)	(53)	(66)
	21,994	22,947	13,987	12,472	11,181
Earnings per share	11.0p	18.0p	13.7p	12.5p	11.0p
Dividends per share	5.6p	5.4p	4.5p	4.0p	3.4p

# DIRECTORS, SECRETARY AND ADVISERS

<b>DIRECTORS</b>	John Morgan (Chairman) Lew Bingham Ernest Bostwick* Peter Greenwood* Gene Kopf Kenneth Symonds William Wallis* * Non-Executive	<b>AUDITORS</b>	Price Waterhouse 9 Bond Court Leeds LS1 2SN
<b>MEMBERS OF THE AUDIT COMMITTEE</b>	Ernest Bostwick Peter Greenwood William Wallis (Chairman)	<b>BANKERS</b>	Barclays Bank plc 21 Tuesday Market Place King's Lynn Norfolk PE30 1JX
<b>MEMBERS OF THE REMUNERATION COMMITTEE</b>	Ernest Bostwick (Chairman) Peter Greenwood John Morgan William Wallis	<b>REGISTRARS AND TRANSFER OFFICE</b>	Independent Registrars Group Limited Balfour House 390/398 High Road Ilford Essex IG1 1NQ
<b>MEMBERS OF THE PENSION COMMITTEE</b>	Peter Greenwood (Chairman) Kenneth Symonds William Wallis	<b>SOLICITORS</b>	Travers Smith Braithwaite 10 Snow Hill London EC1A 2AL
<b>SECRETARY AND REGISTERED OFFICE</b>	Kenneth John Symonds Riverside Industrial Estate Estuary Road King's Lynn Norfolk PE30 2HS	<b>STOCKBROKERS</b>	Beeson Gregory Ltd The Registry Royal Mint Court London EC3N 4EY
<b>COMPANY REGISTRATION NUMBER</b>	1661935		

## FINANCIAL CALENDAR

19 February 1997	Preliminary announcement of results
10 March 1997	Ex dividend date for final dividend on ordinary shares
14 March 1997	Closure of share register for final dividend on ordinary shares
9 April 1997	Annual General Meeting
10 April 1997	Payment of final dividend on ordinary shares
31 May 1997	Financial half year end
July 1997	Announcement of interim results
September 1997	Payment of interim dividend on ordinary shares
30 November 1997	Financial year end

# DIRECTORS' BIOGRAPHIES

## NON-EXECUTIVE DIRECTORS

**Ernest Bostwick, 64**

He was appointed in 1988 and became Chairman of the Remuneration Committee in 1993. Formerly Northern Regional General Manager of GEC Telecommunications, Chairman of several privately owned UK companies, he is a board member of the DTI Regional Industry Advisory Board.

**Peter Greenwood, 62**

He was appointed in 1986 and became Chairman of the Pensions Committee in 1996. A qualified lawyer and formerly Managing Director of Molins Plc, he has a broad commercial knowledge of overseas markets.

**William Wallis, 59**

He was appointed at the time of the management buy-out in 1982 and became Chairman of the Audit Committee in 1993. He is a Chartered Accountant and is Mergers and Acquisitions Manager at Commercial Union plc. Previously he was Director of Corporate Finance with a merchant bank.

*Clockwise: Gene Kopf, Ernest Bostwick, William Wallis, Lew Bingham, Kenneth Symonds, Peter Greenwood, John Morgan.*

## EXECUTIVE DIRECTORS

**John Morgan 57, Chairman**

A Chemical Engineer with experience in manufacturing, marketing and management consultancy, he joined Porvair in 1979, becoming Managing Director in 1982 after leading the management buy-out. He became Chairman in 1990.

**Lew Bingham, 42, Managing Director, Porvair International**

A materials engineer with extensive knowledge of overseas markets, he is a chartered marketer and qualified human resource practitioner. He joined Porvair in 1992 after several years with Burmah Castrol/Foseco.

**Kenneth Symonds, 48, Group Finance Director**

He joined the company in 1985. Formerly holding positions with McCorquodale plc and Bayer, he is a Certified Accountant, Chartered Management Accountant and Chartered Secretary.

**Gene Kopf (USA), 56, President of Porvair Corporation**

He led the buy-out of Selee from Alusisse Lonza in 1992. He has wide experience in the chemical and metals industries and has an extensive background in operations marketing and human resources management.

# NOTICE OF MEETING

Notice is hereby given that the Annual General Meeting of Porvair plc will be held at The Assembly Rooms, King's Lynn Town Hall, Saturday Market Place, King's Lynn, Norfolk, PE30 1HY on Wednesday 9 April 1997 at 12 noon for the purpose of transacting the following business namely:

1. To receive and consider the Directors' report and audited accounts for the year ended 30 November 1996.
2. To consider and declare a final dividend on the Ordinary shares.
3. To re-elect Mr E Bostwick as a Director of the Company.
4. To re-elect Mr W O F Wallis as a Director of the Company.
5. To re-elect Mr L G Bingham as a Director of the Company.
6. To re-appoint Price Waterhouse as auditors of the Company and to authorise the Directors to fix their remuneration.

## Special Business

To consider and if thought fit pass the following resolutions, of which number 7 and number 9 will be proposed as ordinary resolutions and number 8 will be proposed as a special resolution.

7. That for the purposes of Section 80 of the Companies Act 1985 (expressions used in this resolution bearing the same meaning as in the said Section):
  - (i) the Directors be generally and unconditionally authorised to allot relevant securities up to a maximum nominal amount of £185,125 to such persons at such times and on such terms as they think proper during the period expiring on 8 April 2002; and
  - (ii) the Company be and it is hereby authorised to make prior to the expiry of such period any offer or agreement which would or might require relevant securities to be allotted after expiry of the said period and the Directors may allot relevant securities in pursuance of any such offer or agreement not with standing the expiry of the authority given in this resolutionand that the authority of the Directors pursuant to Section 80 of the Companies Act 1985, given on 3 April 1996 be and is hereby revoked.
8. That subject to the passing of resolution 7 set out in the Notice convening this meeting, the Directors be empowered to make allotments of equity securities (as defined in Section 94 of the Companies Act 1985) for cash pursuant to the authority conferred upon them by that resolution as if Section 89(1) of the Companies Act 1985 did not apply to any such allotment and so that:
  - (a) references to allotment in this resolution shall be construed in accordance with Section 94(3) of the said Act; and



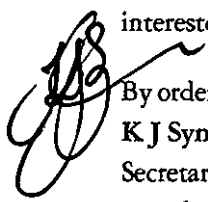
# NOTICE OF MEETING

- (b) the power conferred by this resolution shall enable the Company to make any offer or agreement before the expiry of the said period which would or might require equity securities to be allotted after the expiry of the said power and the Directors may allot equity securities in pursuance of any such offer or agreement not with standing the expiry of such power;

Provided however, that the power conferred by this resolution shall expire at the conclusion of the next Annual General Meeting of the Company (except to the extent that the same is renewed or extended on or before that date) or, if earlier, on 8 July 1998, and shall be limited:

- (i) to the allotment of equity securities in connection with or pursuant to an offer by way of rights to the holders of Ordinary shares and other persons entitled to participate therein, in the proportion (as nearly as may be) to such holders' or to such other persons' holdings of such shares (or, as appropriate, to the numbers of such shares which such other persons are for these purposes deemed to hold) subject only to such exclusions or other arrangements as the Directors may consider necessary or expedient to deal with fractional entitlements or legal and practical problems under the laws of or the requirements of any recognised regulatory body in any territory; and
- (ii) to the allotment (otherwise than aforesaid) of equity securities up to an aggregate nominal amount of £25,511.

9. That the Porvair plc Executive Share Option Scheme 1997 ("the Scheme") described in the explanatory notes accompanying this Notice to shareholders be and the same is hereby approved and the directors be and are hereby authorised to do all acts and things necessary to establish and carry the same into effect (including the making of such amendments to the draft rules as may be necessary to obtain Inland Revenue approval for the grant of approved options under the Scheme) and that each director be counted in the quorum and be authorised to vote as a director on any matter in connection with the Scheme (save in respect of his own individual right of participation in the Scheme) notwithstanding that he may be interested in the same.



By order of the Board

K J Symonds

Secretary

28 February 1997

## Notes

1. A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, vote in his stead. A proxy need not also be a member.
2. Copies of Directors' service contracts with the Company will be available for inspection at the Company's registered office in Riverside Industrial Estate, Estuary Road, King's Lynn, Norfolk, PE30 2HS, during normal business hours from the date of this notice until the date of the Annual General Meeting.

# FORM OF PROXY

I/We

(PLEASE USE BLOCK LETTERS)

of

being (a) member(s) of Porvair plc hereby appoint the Chairman of the meeting\*

or

as my/our proxy to attend and vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on Wednesday 9 April 1997 and at any adjournment thereof.

\*An alternative proxy, who need not be a member of the Company may be named if desired.

I/We direct our proxy to vote as follows:

Resolutions	For	Against
1. To receive the Directors' report and audited accounts for the year ended 30 November 1996		
2. To declare a final dividend on the Ordinary shares		
3. To re-elect Mr E Bostwick as a Director of the Company		
4. To re-elect Mr W O F Wallis as a Director of the Company		
5. To re-elect Mr L G Bingham as a Director of the Company		
6. To re-appoint Price Waterhouse as auditors of the Company and to authorise the Directors to fix their remuneration		
7. To authorise the allotment of shares pursuant to the Companies Act 1985		
8. To authorise the disapplication of pre-emption rights pursuant to the Companies Act 1985		
9. To authorise the Porvair plc Executive Share Option Scheme 1997		

Please indicate how you wish to vote on each resolution by placing a tick in the appropriate box. If no indication is given, the proxy will exercise his discretion both as to how he votes and whether or not he abstains from voting.

Date this day of

Signature

## Notes

- Any alteration made on this form must be initialled
- If the appointer is a Corporation, this form must be executed under its Common Seal or signed on its behalf by an Attorney or officer of the Corporation.
- In the case of joint holders, any holder may sign this form.
- To be effective, this form and the Power of Attorney or other authority if any, under which it is signed, must be lodged at the Independent Registrars Group Limited, Balfour House, 390/398 High Road, Ilford, Essex IG1 1NQ, no later than 48 hours before the time of the meeting
- Any shareholder voting by proxy may also attend the Annual General Meeting.

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Third fold (tuck in)

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**Independent Registrars Group Limited**  
**Registrars for Porvair plc**  
**Balfour House**  
**390/398 High Road**  
**Ilford**  
**Essex IG1 1BR**

Second fold

First fold



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