

A sustainable business providing long life solutions

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About Porvair

Porvair is a specialist filtration and environmental technology group, with operations in the UK, US, Germany and China, employing about 500 people.

The Group develops, designs and manufactures specialist filtration and separation equipment. We serve a range of markets of which aviation, energy and industrial process, environmental laboratories and non-ferrous metals are the most important.

At the heart of what we do is the filtration and engineering expertise which allows us to solve customer problems across all the markets we serve.

Porvair aims to develop and exploit its expertise in specialist filtration and environmental technologies for the sustainable benefit of its shareholders, staff and other stakeholders.

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Key performance highlights in 2009

Financial highlights

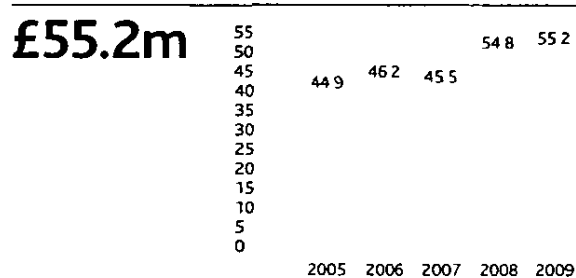
- Revenues for the year were £55.2 million (2008 £54.8 million)
- Profit before tax and exceptional items was £1.7 million (2008 £4.2 million), which was almost all generated in the second half of the year. Profit before tax was £1.1 million (2008 £4.2 million)
- Cash generated from operations of £6.0 million (2008 £4.2 million) was well ahead of the prior year
- Net debt reduced to £13.9 million (2008 £16.7 million)
- Final dividend of 1.25 pence per share (2008 1.25 pence) is maintained

Operating highlights

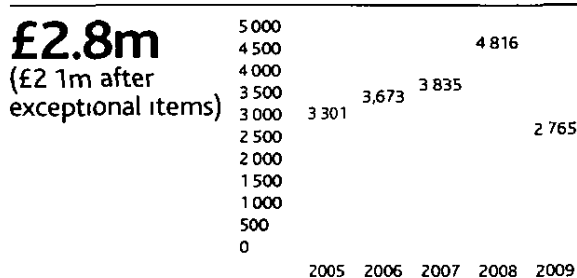
- The results for the year are dominated by the sharp fall in demand at Metals Filtration in the first half of the year as aluminium and US automotive de-stocking fed through the supply chain

- The business reacted swiftly to address costs where necessary. Over the course of the year Group headcount was cut by 15%
- The second half of the year was better with sales rates in the US firming in the final quarter. The Group was profitable and cash generative for the year as a whole
- Good strategic progress was made, despite the prevailing conditions. The benefits of revenue from new products, cautious geographic expansion and the integration of recent acquisitions can be seen in the results for the year.
- Seal Analytical, the water analysis business acquired in 2008, had a strong first year with the Group, generating profits growth and a good cash return on investment

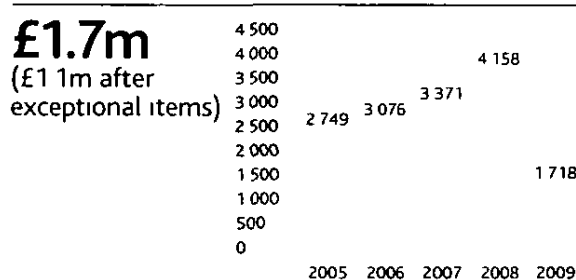
Turnover (£'m)



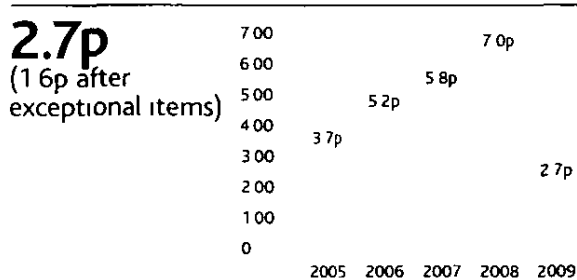
Operating profit (£'000)



Profit before tax (£'000)



Basic earnings per share (pence)



* All amounts shown before exceptional items

Porvair at a glance

Porvair serves the needs of a range of specialist filtration markets around the world and is managed through two operating divisions. The Microfiltration division comprises the Porvair Filtration Group, Porvair Sciences and Seal Analytical and is based in the UK, US and Germany. The Metals Filtration division trades as SELEE Corp and is based in the US and China.

Microfiltration Division – UK, US & Germany

The Microfiltration division provides bespoke filtration solutions to a diverse range of customers and markets. It has operations in the UK, US and Germany and employs 340 people. Its sales are global.

Principal markets served

- Aviation
- Energy and industrial process
- Environmental laboratories

Applied technology

- Metallic and polymeric filtration technologies
- Instrumentation

Annual sales

£36.5m

Metals Filtration Division – US & China

The Metals Filtration division serves the market for the filtration and handling of molten metal. It has operations in the US and China and employs 140 people. Its sales are global.

Principal markets served

- Non-ferrous metals

Applied technology

- Ceramic filtration technology

Annual sales

US\$29.0m

Revenue by division (£'000)

Microfiltration £36 529
Metals Filtration £18 696

Revenue by destination (%)

Americas 46%
UK 24%
Europe 15%
Asia 13%
ROW 2%

Revenue by origin (%)

UK 48%
Americas 39%
Europe 12%
Asia 1%

Our strategy

The Group manufactures in the UK, US, Germany and China and sales are global

Porvair's strategy for the creation of growth and sustainable shareholder value is to

- Focus on markets which
 - require proprietary products that are typically bespoke, consumable and have long life cycles,
 - are driven by regulation, legislation (health, safety or environmental), or a critical need for process reliability,
 - offer sustainable barriers to entry, extensive quality accreditation, design rights, or patent protection
- Concentrate on markets that offer attractive long term growth potential
The Group's principal chosen markets are
 - aviation,
 - energy and industrial process,
 - environmental laboratories, and
 - non-ferrous metals filtration
- Generate organic growth through new product development and geographic expansion
- Acquire complementary businesses that meet our rigorous financial and commercial criteria
- Maintain an appropriately funded balance sheet and generate sufficient cash to sustain a progressive dividend policy

2009 strategic progress and new product development

In 2009 13% of the Group's revenues came from sales of products that have recently been commercially released by the Group. A summary of progress on new product development is given below

Aviation

- Nitrogen Generating System (NGS) filter is now in production for Boeing
- An NGS filter for Airbus expected to be in production during 2010
- NGS retrofit has now been mandated by the FAA.
- Several other NGS solutions are being developed by the Group

Energy and industrial process

- Filter media development has significantly increased gasification filter life
- Nuclear capability enhanced with nuclear decommissioning and decontamination filtration solutions
- Nuclear order pipeline growing

Environmental laboratories

- Seawater analysis instruments are world market leaders
- Broader range of water analysers planned
- Commercial launch of ultra-clean filters for multi-well plates planned

Non-ferrous metals

- Patented aluminium filter now in use by 80% of customers
- Nickel-cobalt super-alloy filter now in full production
- Patent pending on a new foundry filter
- Successful trials of lead acid battery using our carbon foam component
Customer development continues

Chairman and Chief Executive's statement

"The Board is confident that Porvair is well positioned to benefit as economic conditions improve"

Charles Matthews
Chairman

Ben Stocks
Group Chief Executive

Performance summary

2009 was a year of maintaining strategic progress while dealing with difficult economic circumstances

We are pleased to report that Porvair remained profitable and cash generative despite the tough economic conditions. The business reacted swiftly to unprecedented changes in demand early in the year, addressing costs where necessary. Over the course of the year Group headcount was cut by 15%. Good strategic progress was made, despite the difficult conditions. The benefits of revenue from new products, which grew to 13% of total revenues, cautious geographic expansion and the integration of recent acquisitions can be seen in the results for the year.

Revenues in the year to 30 November 2009 were £55.2 million (2008: £54.8 million), benefiting from a full year contribution from Seal Analytical, acquired in July 2008.

- Revenues in the Microfiltration division were £36.5 million (2008: £32.3 million). Stripping out acquisition effects, this division's revenues declined 10%. Revenues in Metals Filtration, the division hardest hit by falling demand early in the year, declined 32% in constant currency.
- As previously reported, exceptional restructuring costs of £0.7 million (2008: £nil) were incurred to adapt each business to the changing economic circumstances. Operating profit before exceptional items for the Group was £2.8 million (2008: £4.8 million). Operating profit was £2.1 million (2008: £4.8 million). Profit before tax was £1.1 million (2008: £4.2 million). Profit before tax before exceptional restructuring costs was £1.7 million (2008: £4.2 million).
- Cash generation was good. Cash generated from operations increased 42% to £6.0 million (2008: £4.2 million). Net debt at 30 November 2009 decreased by £2.8 million to £13.9 million (2008: £16.7 million).

The results for 2009 are dominated by the sharp fall in demand reported at the half year, with unprecedented production cuts made in many industrial sectors, particularly in the US. The Metals Filtration division was hit by demand reductions of up to 50% in some markets, notably global aluminium and US automotive. In response, staff numbers were cut by 40% in the US, and the Metals Filtration division's operations were restructured accordingly. The second half of the year was better, as the de-stocking phase of the recession eased and the Group's lower cost base took effect.

	Six months to 31 May 2009 £ 000	Six months to 30 Nov 2009 £ 000	Total 2009 £ 000
Revenue	26,995	28,230	55,225
Operating profit before exceptional items	523	2,242	2,765
Exceptional items	(637)	(25)	(662)
Operating (loss)/profit	(114)	2,217	2,103

Not all sectors were affected by the global downturn in 2009. Energy filtration demand remained strong and demand for water analysis products grew robustly. The year finished in a manner that gave grounds for cautious optimism. Sales from new products grew 18% to £7.1 million (2008: £6.0 million) while demand levels in aluminium and US auto markets improved 10-15% in the final quarter. Both will support better trading in 2010, as will our newly opened Microfiltration sales office in France and Metals Filtration satellite plant in China. These strategic initiatives are helping Porvair weather the downturn, and will accelerate our recovery as conditions improve.

Porvair's activities and strategy

Porvair specialises in filtration and related environmental technology. Our products are largely engineered consumables.

We operate two divisions. The Microfiltration division comprises the Porvair Filtration Group, Porvair Sciences and Seal Analytical. Its principal

Developments & Opportunities

Water plays an important part of the economy of Florida, the supply of water and the management of its unique wetlands are an important part of the economy of the state

The St Johns River Water Management Authority, one of the five water authorities in Florida, is responsible for supplying clean water and managing the water quality of the natural ecosystems of the district. It uses a mix of continuous flow and discrete inorganic chemistry analysers supplied by Seal Analytical in its environmental laboratories. Our analysers are used to assess nutrient pollution in natural water systems and to ensure water piped to homes and businesses meets strict regulatory standards.



Meeting growing needs for water cleanliness and quality

Chairman and Chief Executive's statement continued

markets are aviation, environmental laboratory supplies and industrial/energy filtration. The Metals Filtration division trades as Selee Corporation. Its principal markets are the filtration of molten aluminium and super-alloy metals.

The Group manufactures in the UK, USA, Germany and China. Sales are global.

Porvair's strategy for the creation of growth and sustainable shareholder value is to

→ Focus on markets which

- require proprietary products that are typically bespoke, consumable and have long life cycles,
- are driven by regulation, legislation (health, safety or environmental), or a critical need for process reliability,
- offer sustainable barriers to entry, extensive quality accreditation, design rights, or patent protection.

→ Concentrate on markets that offer attractive long term growth potential. The Group's principal chosen markets are

- aviation,
- energy and industrial process,
- environmental laboratories, and
- non-ferrous metals filtration.

→ Generate organic growth through new product development and geographic expansion.

→ Acquire complementary businesses that meet our rigorous financial and commercial criteria.

→ Maintain an appropriately funded balance sheet and generate sufficient cash to sustain a progressive dividend policy.

Operating review

Divisional performance – Microfiltration

Revenue at the Microfiltration division was £36.5 million (2008: £32.3 million). Operating profits before exceptional items were £5.3 million (2008: £5.1 million). Excluding the impact of acquisitions, revenues were down 10% across the year.

Aviation demand fell around 11% at constant currencies across the year. This was a resilient performance in the circumstances due in part to our customer portfolio which covers commercial, regional and defence markets for both new build and after market spares. Expectations for 2010 are for similar levels of revenue to that achieved in 2009, with expected weakness in some segments offset by new product introductions. Notably, demand for our proprietary inerting filters (a vital part of an aircraft's fuel tank safety system) is growing.

Sales to energy markets were strong, offset by weakness in general industrial demand, particularly in the US. As reported at the interim stage, several sizeable contracts were delivered to nuclear customers during the year, with spares and other consumables to follow in 2010. The general level of activity and the order book in the energy (nuclear and gasification) market is promising and we have opened a sales office in France to support our plans for expansion.

The Microfiltration division's small US subsidiary had a difficult first half of the year as demand fell across US industry. However, it picked up new customer orders through the year and has started 2010 much more robustly. The geographic expansion of this part of our business is a focus for the next few years.

Seal Analytical, the water analysis business acquired in 2008, had a strong first year with the Group, generating profits growth and a good cash return on investment. Weaker demand in the US was offset by improved Asian demand. The rationalisation and integration of this business was finished during the year and it has started a growth plan based on geographical expansion, new product revenue growth, and reinvigoration of its installed base. It has started 2010 with a lower cost base and a stronger order book than twelve months ago.

Divisional performance – Metals Filtration

After record revenue in 2008, demand in Metals Filtration fell sharply in the first half of 2009 as aluminium and US automotive de-stocking fed through the supply chain. For the year, revenues were £18.7 million (2008: £22.5 million). In its operating currency, US dollars, this was a 32% reduction. As reported at the interim stage, a restructuring programme was undertaken in which employee numbers were

Developments & Opportunities

Porvair Filtration Group provides filtration solutions to the nuclear fuel, power generation, decontamination and decommissioning, and waste treatment and storage industries

Decontamination and decommissioning projects to clean up the nuclear waste from the first generation of power stations and the legacy from nuclear arms production are a vital part of the environmental management of the nuclear industry. Projects requiring specialist filtration systems range from the clean up of liquid nuclear waste to the reprocessing of weapons grade plutonium into fuel for use in power reactors.

In 2009, Porvair provided high specification bespoke filters for a patented steam reformation process system, which converts liquid waste to a lower volume of solid waste for final processing and storage. The plant is being installed at the Idaho National Laboratories in the US to clean up one million gallons of radioactive sodium bearing waste. Solutions of this type are expected to be widely adopted in the US and UK over the next ten years.



Providing next generation emissions control solutions

Chairman and Chief Executive's statement continued

reduced by 40% and remaining staff participated in a salary sacrifice scheme. The US management team performed well in difficult circumstances.

As de-stocking worked through, demand stabilised in the middle of the year, and by the final quarter was running at levels roughly 10-15% higher than the lows of February, March and April. Operating results consequently improved. Cash generation was good throughout the year.

Progress with new products – the key to sustainable recovery at Metals Filtration – continued despite the economic situation. Our patented "Selee CS-X™" aluminium filter has gained widespread acceptance in the market. It offers users a more efficient, lightweight filter that does not contain phosphates or ceramic fibres. We already have around 50% global share of this market. 80% of our current customers are now using the product. This will increase in 2010, as we start to win competitive accounts.

Customer trials of other new products have also gone well, notably a more robust foundry filter, for which commercial shipments began at the end of the year. Initial shipments of a high performance battery component were made and worked well in our US customer's first generation battery. Upheaval in the 2009 US truck market held the customer back and caused it to accelerate the development of its second generation battery, which has wider market appeal and will remain in development for 2010 prior to launch in 2011.

Whilst US and European demand for the Metals Filtration division's products has been badly affected, Asian demand has increased. A satellite plant to meet this demand was opened in China during the year and will expand in 2010.

Earnings per share, dividend and financing
Earnings per share were 1.6 pence (2008: 7.0 pence). Excluding exceptional restructuring costs, earnings per share were 2.7 pence (2008: 7.0 pence).

The business has been cash generative throughout the year and has reduced net debt by £2.8 million. Net debt at 30 November 2009 was £13.9 million (2008: £16.7 million). Cash generated from operations was £6.0 million (2008: £4.2 million). During the

course of the year banking arrangements were reviewed and certain covenants amended to reflect the changes in 2009 trading patterns.

It is the Board's opinion that Porvair will recover well as conditions improve. As a consequence, the Directors recommend a maintained final dividend of 1.25 pence (2008: 1.25 pence) making a full year dividend of 2.25 pence (2008: 2.25 pence).

Staff

In what has been a difficult year, the Directors wish to thank all Porvair staff for their hard work during 2009. Our US staff, who have borne the brunt of the downturn, deserve special mention. Porvair did not award any pay increases at the start of 2010 as we wait to see how economic conditions develop, and we acknowledge this contribution from colleagues across the Group. In sometimes trying circumstances Porvair teams have continued to develop their businesses and maintain high levels of customer service. They have done well.

Current trading and outlook

Current levels of demand across the business have been stable for several months. 2010 has started satisfactorily. Revenue run rates in the US are 10-15% ahead of the lows reached in early 2009. Order books in Microfiltration are at reasonable levels.

The Board has set a cautious plan for 2010, recognising the uncertainties of the global economic situation. Nonetheless the Board sees grounds for guarded optimism. Microfiltration starts the year with a satisfactory order book and a promising pipeline of larger nuclear and energy orders. It is expanding its presence in Europe, the US and China. The Metals Filtration division is benefiting from a lower cost base such that modest increases in monthly revenues will improve results. Growth from new products will continue in 2010. The Board is confident that Porvair is well positioned to benefit as economic conditions improve.

Charles Matthews, Chairman
Ben Stocks, Group Chief Executive

25 January 2010

Developments & Opportunities

Porvair Selee is the world leader in the filtration of cast house aluminium. Its filters are used in the preparation of metal for a range of uses from production of cans to large scale parts for aircraft. In 2009 it was awarded the American Ceramic Society Corporate Environmental Achievement Award for its new formulation for aluminium cast house filters. This new filter, Selee CS-X™, already adopted by 80% of our customers.

- Has improved filtration characteristics especially in relation to high magnesium alloys,
- Has a better environmental profile in that it does not use either phosphates or ceramic fibres,
- Is lighter to handle and retains less metal when spent, and
- Is patented

These advantages will make the new filter more sustainably competitive than the previous formulation.



Delivering products with improved environmental and safety benefits

Finance Director's review

"Net cash generated from operations was £6.0 million. Reductions in working capital of £1.3 million boosted operating cash flow ahead of the prior year."

Chris Tyler
Group Finance Director

Group operating performance

Group revenues were £55.2 million (2008: £54.8 million) and operating profit before exceptional restructuring costs of £0.7 million was £2.8 million (2008: £4.8 million). The operating performance and key performance indicators of the Microfiltration and Metals Filtration divisions are described in detail in the Chairman and Chief Executive's statement. The operating loss associated with the Other Unallocated segment was £1.3 million (2008: £1.3 million), which mainly comprises Group corporate costs, some research and development costs, new business development costs and general financial services.

Key performance indicators

The Group considers its key performance indicators to be revenue growth and operating margins of its principal operations, revenue from new products, profit before tax growth, earnings per share growth, interest cover, gearing, and return on capital employed. The table below summarises these indicators.

Key performance indicators	2009	2008
Revenue growth	1%	20%
Revenue growth – Metals Filtration (US dollars)	(32)%	11%
Revenue growth – Microfiltration	13%	23%
Revenue from new products	13%	11%
Operating margin – Group (before restructuring in 2009)	5%	9%
Operating margin – Metals Filtration (before restructuring in 2009)	(6)%	5%
Operating margin – Microfiltration (before restructuring in 2009)	14%	16%
Profit before tax growth (before restructuring in 2009)	(59)%	23%
Earnings per share growth (before restructuring in 2009)	(61)%	21%
Interest cover (before restructuring in 2009)	3 times	7 times
Gearing	38%	40%
ROCE (before restructuring in 2009)	3%	8%

Impact of exchange rate movements on performance

The international nature of the Group's business means that relative movements in exchange rates can have a significant impact on the reported performance. Sterling was weak compared with the dollar for the first five months of the year generally trading between \$1.4/£ and \$1.55/£. Sterling strengthened mid-year and traded between \$1.6/£ and \$1.7/£ for the rest of the year. The Group sold forward the majority of its UK business's 2009 US dollar revenue at the start of the financial year and consequently achieved rates close to \$1.5/£ on that revenue. This provided the Microfiltration division with a benefit compared with the rates achieved in 2008. The average rate used for translating the results of US operations into Sterling was \$1.55/£ (2008: \$1.91/£). This has the effect of increasing the losses in Metals Filtration in 2009 and suppressing the profits in 2008 compared with the underlying US dollar results. The Group's Euro operations were translated at €1.12/£ (2008: €1.25/£) giving the European operations of the Microfiltration division approximately a 10% benefit compared with 2008.

Finance costs

Net interest payable increased to £1.0 million (2008: £0.7 million). Included within interest are finance costs in relation to the defined benefit pension scheme, which increased to £0.3 million (2008: credit of £0.1 million) in the year.

Banking covenants were renegotiated to provide operating flexibility in the difficult trading conditions experienced in the year. As a result the Group's banking margin increased by approximately 1.2% offsetting some of the benefit of lower interest rates.

The Group took out interest rate swaps to fix the interest rates on certain of its borrowings. These will provide some protection for the Group in the event of interest rate rises or another spike in LIBOR as occurred in late 2008. The contracts in place are summarised below.

Fixed rate	Principal amount	Maturity date
2.21%	\$5m	12 December 2010
2.43%	\$5m	12 December 2011
3.03%	£3m	Reducing by £1 million on each of 30 November 2010, 2011 and 2012

Interest cover before exceptional items was 3 times (2008: 7 times).

Tax

The Group tax charge on profits before exceptional items was £0.6 million (2008: £1.3 million). After recognising a tax credit of £0.2 million on the exceptional items, the Group tax charge was £0.4 million (2008: £1.3 million). This is an effective rate of 35% (2008: 31%), higher than the standard corporate tax rate of 28%, as a result of disallowed expenditure principally arising from the abolition of Industrial Buildings Allowances and the impact of state taxes based on revenue in the US. The tax charge comprises current tax of £1.0 million (2008: £0.8 million) and a deferred tax credit of £0.6 million (2008: charge of £0.5 million). The Group carries a deferred tax asset in relation to the past losses in its US operations and the deficit on the pension fund. The tax asset related to the past losses is limited to the amount expected to be recovered in the foreseeable future.

Shareholders' funds

Shareholders' funds at 30 November 2009 were £36.4 million (2008: £41.2 million), a reduction of 12% over the prior year. Shareholders' funds increased by the profit after tax of £0.7 million and a write back of £0.1 million relating to share based payments. A charge to reflect the marked to market value of interest rate hedges reduced shareholders' funds by £0.2 million. Shareholders' funds were reduced by exchange losses on retranslation of foreign currencies of £0.9 million. Dividends paid of £1.0 million and actuarial losses in the pension scheme net of deferred tax of £3.5 million reduced shareholders' funds.

Cash flow

Net cash generated from operations was £6.0 million (2008: £4.2 million). Reductions in working capital of £1.3 million (2008: increase of £2.4 million) boosted operating cash flow ahead of the prior year despite the lower operating profits. Tight control reduced inventories across the Group by £1.5 million (2008: increase of £1.2 million). Receivables and payables both reduced principally due to lower revenue and production in Metals Filtration.

Net interest paid was £0.9 million (2008: £0.7 million). Although borrowings fell throughout the year, the average net borrowings in 2009 were higher than in 2008 as debt increased in July 2008 with the acquisition of Seal Analytical. The higher interest cost reflects the impact of increased average borrowings and the interest rate adjustments described in the Finance costs section above.

Tax paid of £0.6 million (2008: £0.6 million) was lower than the current tax charge as a result of repayments relating to prior periods.

Capital expenditure reduced to £1.2 million (2008: £3.5 million). After the year of significant investment in 2008 which included the fit out of the new Microfiltration facility, additional manufacturing capacity installed in Metals Filtration for new products, and the capitalisation of associated development and project management costs, the Group required much lower investment in 2009. The principal investments in 2009 were the completion of the manufacturing capacity in Metals Filtration and upgrading manufacturing capability in Microfiltration.

Borrowings and bank finance

At the year end, the Group had net borrowings of £13.9 million (2008: £16.7 million) comprising gross borrowings of £17.1 million (2008: £18.9 million) and finance lease obligations of £0.2 million (2008: £0.3 million) offset by cash balances of £3.4 million (2008: £2.5 million). Borrowings of £9.1 million (2008: £9.8 million) (US\$15.0 million) are held in US dollars and the weakening of the US dollar relative to Sterling reduced the Group's net debt by £0.4 million (2008: increase of £2.4 million) compared with the prior year.

The Group put in place three year borrowing facilities with Barclays Bank plc in July 2008. At 30 November 2009 the Group had unutilised borrowing facilities of £1.6 million (2008: £1.3 million), an unutilised overdraft facility of £1.5 million (2008: £1.5 million) and cash balances of £3.4 million (2008: £2.5 million).

The Group's gearing (net debt as a percentage of shareholders' funds) reduced to 38% (2008: 41%).

Finance and treasury policy

The treasury function at Porvair is managed centrally, under Board supervision. It is not a profit centre and does not undertake speculative transactions. It seeks to limit the Group's exposure to trading in currencies other than its operations' local currency and to hedge its investments in currencies other than Sterling. The Group does not hedge against the impact of exchange rate movements on the translation of profits and losses of overseas operations.

Finance Director's review continued

At the year end, the Group had US\$15.0 million (2008 US\$15.0 million) of US dollar borrowings exposure which hedged underlying US net tangible assets on the balance sheet of US\$24.0 million (2008 US\$23.8 million). In addition, the Group has a €1.6 million interest bearing debtor that was fully hedged by borrowings in Euros.

The Group finances its operations by a combination of share capital and retained profits, and short and long term loans. The Group has adopted a policy of fixing the interest rate on between 40% and 60% of its borrowings.

Pension schemes

The Group continues to support its defined benefit pension scheme in the UK, which is closed to new members, and to provide access to a defined contribution scheme for its US employees and other UK employees.

The Group recorded a retirement benefit obligation of £8.6 million (2008 £3.7 million). The increase arose from an actuarial loss in the year of £4.9 million (2008 £2.2 million). The contributions to the scheme of £0.5 million were in line with the service cost and finance charges incurred by the scheme.

The increase in the deficit in the year arose from a reduction in the discount rate used to value the liabilities to 5.5% (2008 6.8%), a reduction in the expected rate of return on the plan assets to 6.6% (2008 6.8%) and the adoption of more up to date mortality tables. The mortality tables used are the SAPS base tables with a 110% multiplier allowing for future improvements of 1.5% per annum for 10 years and 1% thereafter. The plan's expected life expectancy of a member at age 65 is 19.7 years (2008 18.2 years) for men and 22.6 years (2008 21.3 years) for women.

A valuation of the assets and liabilities of the closed defined benefit scheme was completed in 2007. As a result of this review, the Group and the Trustees agreed to alter the employer's contributions from 15% of salary to 8% of salary plus an £80,000 contribution towards the running costs of the scheme. The Group also committed to make additional annual contributions, to cover the past service deficit, of £250,000 per annum increasing by 5% per annum for eight years. The first payment was made in December 2007.

The next actuarial valuation of the scheme will be based on the pension scheme's position at 31 March 2009 and the results of that valuation will be finalised before 30 June 2010. It is possible that the outcome of that valuation could require an increase in the contributions to cover the past service deficit. Any such increase would be likely to take effect in the 2011 financial year.

Principal risks and uncertainties

There are a number of risks and uncertainties, described below, which could have a material impact on the Group's long term performance and prospects.

Existing markets risk

The Group serves the needs of a range of specialist filtration markets, such that it is not dependent upon any one market. No single market represents more than 25% of revenue. However, four key markets: aviation filtration, energy and industrial process filtration, environmental laboratory supplies and non-ferrous metals filtration contribute more than 10% of the Group's revenue and the Group would be exposed to a significant decline in any of these markets.

The Aerospace market has traditionally been a very steady business as the product cycles are very long and the Group offers a broad range of products. There is unlikely to be such a rapid decline in the aerospace market that the Group could not manage the consequences over time.

The energy and industrial process products serve a range of customers who use filters as an integral part of processes in their plants. Sales are both for new build and after market spares. A sustained economic downturn, as experienced in 2009, will affect demand in this segment.

Environmental laboratory supplies are chiefly sold to laboratories engaged in meeting the regulatory requirements for clean water. This market is expected to grow as water regulations tighten throughout the world and demand for clean water in the developing world increases. Whilst revenue will be affected by access to capital in customer markets (municipal/utilities and industrial labs) it is expected that the regulated nature of this market will mitigate cyclical changes.

Aluminium production suffered a severe contraction in the first half of the year. The Group reacted quickly to the contraction in the market by reducing its cost base and successfully converting its customers to a new improved filter formulation. The production of aluminium is gradually moving to larger smelters in regions of low cost energy. The Group is developing its sales presence accordingly.

New products and markets risk

The Group invests significant amounts into the development of new products. Some of these new products are at an early stage of development and are driven either by environmental imperatives or legislation. There is a risk that the products that the Group is developing will either not be adopted as part of the potential solutions or that the legislation or regulation will not develop in the way that the Group anticipates.

The Group has brought a number of these products to market in the last two years and is now much less exposed to the risks of new products. However, the Group maintains a close review of each of its major developments and is not significantly exposed if the market for any one product does not develop.

Raw materials, resources and facilities risk

The Group uses raw materials in its production processes. Prices for these raw materials can be volatile and are affected by the cyclical movement in commodity prices such as oil, alumina, silicon carbide and steel. The Group's ability to pass on these price fluctuations to its customers is to some extent dependent on the contracts it has entered into and the prevailing market conditions. There may be times when the Group's results are adversely affected by an inability to recover increases in raw material prices.

The Group operates from a number of production facilities, the largest facility generating approximately one third of the Group's revenue. A disaster, such as a fire or flood, at any of the Group's facilities could have a material impact on the Group's performance. The Group maintains insurance of its equipment and facilities and carries business interruption insurance to cover loss of profits. In addition, the Group has ISO 9001 and other industry specific quality control systems which reduce the risk that a disaster will occur.

Competitive risk

Porvair operates in competitive global markets. The Group's achievement of its objectives is reliant on its ability to respond to many competitive factors including, but not limited to, pricing, technological innovations, product quality, customer service, manufacturing capabilities and the employment of qualified personnel. If the Group does not continue to compete in its markets effectively by developing innovative solutions for its customers, it could lose them and its results could be adversely affected.

Technological risk

Porvair has a broad portfolio of products delivered to a diverse range of markets. The Group's business could be affected if it does not

- continue to develop new designs for its customers that provide technical or cost advantages over its competitors, and
- develop new technologies and materials that are adopted by its customers to provide improved performance.

The Group recognises that certain of its competitors are larger and have greater financial resources. This may enable them to deliver products on more attractive terms than the Group or to invest more resources, including research and development, than the Group.

The Group carefully selects its development prospects and monitors their progress carefully to maintain a range of potential opportunities. The nature of the Group's development projects means that their potential commercial or technical success cannot be assessed with certainty throughout the development process. The ultimate commercial success of a project can often only be judged when the development cycle is close to completion.

Financing risk

The Group maintains a level of borrowing to finance its operations. Damage to, or loss of, its banking relationships could have a material impact on the profitability of the Group. To mitigate this risk, the Group has sufficient long term facilities in place for its expected requirements. It maintains a close relationship with its bankers and carefully monitors the restrictions on its borrowings.

Treasury and exchange rate risk

The Group has operations in the UK, US, Germany and China and sells its products throughout the world. As a result, the Group is exposed to fluctuations in exchange rates. The Group maintains certain of its borrowings in US dollars to hedge its investments in the US and enters into forward sales of its principal foreign currency revenues to reduce the impact of exchange rate movements.

Liability risk

The Group manufactures products that are potentially vital to the safe operation of its customers' products or processes. A failure of the Group's products could expose the Group to loss as a result of claims made by the Group's customers or users of their products. The Group seeks to minimise this risk through limitations of liability in its contracts and carries insurance cover in the event that claims are made.

Christopher Tyler, Group Finance Director
25 January 2010

Board of Directors

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Executive Directors

1 Ben Stocks (47), Group Chief Executive
Joined the Group in February 1998. He was previously UK Managing Director of the Speciality Packaging Division of Carnaud Metal Box. He holds an MBA from INSEAD.

2 Christopher Tyler (47), Group Finance Director
Appointed to the Board in September 2004. He had previously held a number of senior financial positions at Cable & Wireless, latterly as Chief Financial Officer of Cable & Wireless in the Caribbean. He is a chartered accountant.

Non-Executive Directors

3 Michael Gatenby* (65), Senior Non-Executive Director
Appointed to the Board in June 2002. He is Chairman of Alliance Pharma PLC and is a Non-Executive Director of Johnson Service Group PLC and Cobra Biomufacturing plc. He is a chartered accountant.

4 Charles Matthews* (56), Chairman
Appointed to the Board in January 2005 and became Chairman on 12 April 2006. He is also Chairman of Norican Group. He was previously Non-Executive Director of FKI plc, Chief Executive of Cosworth, Managing Director of Rolls Royce and Bentley Motor Cars and a member of the Vickers Group plc Executive Board.

5 Andrew Walker* (58)
Appointed to the Board in January 2005. He is a Non-Executive Director of API Group plc, Manganese Bronze Holdings plc, Ultra Electronic Holdings plc, Delta plc, Plastics Capital plc, May Gurney plc and Brintons Limited. He was previously Chief Executive of McKechnie plc and South Wales Electricity plc.

* Denotes independent Non-Executive Director

Board committees, Secretary and advisers

Members of the Audit Committee
Michael Gatenby (Chairman)
Charles Matthews
Andrew Walker

Members of the Remuneration Committee
Andrew Walker (Chairman)
Charles Matthews
Michael Gatenby

Members of the Nomination Committee
Charles Matthews (Chairman)
Michael Gatenby
Andrew Walker

Secretary and registered office
Christopher Tyler
7 Regis Place
Bergen Way
King's Lynn PE30 2JN

Company registration number
1661935

Auditors
PricewaterhouseCoopers LLP
Abacus House
Castle Park
Cambridge CB3 0AN

Principal bankers
Barclays Bank plc
Barclays Commercial Bank
PO Box 885
Mortlock House
Station Road
Histon
Cambridge CB24 9DE

Investment bankers
Close Brothers
10 Crown Place
London EC2A 4FT

Registrars and transfer office
Capita Registrars
Northern House
Woodsome Park
Fenay Bridge
Huddersfield HD8 0LA

Solicitors
Travers Smith LLP
10 Snow Hill
London EC1A 2AL

Stockbrokers
Altium Securities
30 St James's Square
London SW1 4AL

Directors' report

The Directors are pleased to present their Annual Report and the audited accounts of the Group for the year ended 30 November 2009

Principal activities and results

The Group's principal activities are in the areas of specialist filtration and environmental technologies in the UK, US, Germany and China. The profit for the financial year was £0.7 million (2008 profit of £2.9 million)

Business review

The business is reviewed in the Chairman and Chief Executive's Statement on pages 4 to 8 and the Finance Director's review on pages 10 to 13. The Group's strategy, objectives and likely future developments of the business are discussed in detail in the Chairman and Chief Executive's Statement. The key performance indicators are defined in the Finance Director's review and discussed throughout the Chairman and Chief Executive's Statement and Finance Director's review. The risks and uncertainties facing the business are described in the Finance Director's review on pages 12 and 13 and in the financial risk management section below.

Dividends

An interim dividend of 1.0 pence per share was paid on 11 September 2009. The Directors recommend the payment of a final dividend of 1.25 pence per share (2008 1.25 pence per share) on 11 June 2010 to shareholders on the register on 30 April 2010; the ex-dividend date is 28 April 2010. This makes a total dividend for the year of 2.25 pence per share (2008 2.25 pence per share).

Directors and their interests

The names and biographical details of the Directors are set out on page 14.

In accordance with the Articles of Association, Michael Gatenby and Andrew Walker retire by rotation and offer themselves for re-election.

During the year, the Group maintained insurance providing liability cover for its Directors.

Details of all the beneficial and non-beneficial interests of the Directors in the shares of the Company, share options and service contracts are set out in the Report of the Remuneration Committee on pages 22 to 25. None of the Directors had a material interest in any contract of significance in relation to the Company or its subsidiaries during the year.

Following the introduction on 1 October 2008 of the new conflicts of interest regime for directors contained in the Companies Act 2006, the Company put in place procedures to deal with conflicts of interest and these have operated effectively. Since that date, the Company has followed the guidance

on conflicts of interest issued by the Association of General Counsel and Company Secretaries of the FTSE.

Research and development

The Group continues to undertake a research and development programme with the objective of identifying and developing new materials and products which have the potential to transform the growth of the Group. The cost to the Group in the year under review was £2.7 million (2008 £3.0 million), £2.5 million (2008 £2.2 million) was written off to the income statement and £0.2 million (2008 £0.8 million) was capitalised as an intangible fixed asset. The expenditure is of a development nature and is largely undertaken in-house rather than by third parties. In accordance with International Accounting Standard (IAS) 38, 'Intangible Assets', development expenditure is largely written off as incurred but where a product has been shown to be technically feasible and the Group can demonstrate, through customer acceptance or otherwise, that there is a market for the product, then further development expenditure is capitalised and written off over the expected life of the product.

Share capital

The Company has one class of ordinary share capital which carries no right to fixed income. All of the Company's shares in issue are fully paid and each share carries the right to vote at general meetings of the Company. There were no changes in the Company's issued share capital during the year.

Further details of the share capital of the Company are given in note 22 to the financial statements on pages 53 to 55.

There are no specific restrictions on the size of a holding in the Company nor on the transfer of shares, which are both governed by the provisions of the Articles of Association and prevailing regulation and legislation governing UK listed companies. The Directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on voting rights. No person has special rights of control over the Company's share capital.

The appointment and replacement of Directors is governed by the Articles of Association, the Companies Act 2006, the Combined Code and related regulation and legislation applying to UK listed companies. The Articles of Association require there to be a minimum of three Directors (and permit a maximum of 15) and provide that the business of the Company shall be managed by the Board of Directors which may exercise all powers of the Company. The Board of Directors may make such arrangements as they see fit to delegate those powers except that the Board retains specific authority over the matters outlined in the Matters

Directors' report continued

reserved for the Board which are summarised in the Board of Directors section in the Corporate governance report on pages 26 to 28

Each year the Board seeks shareholder approval to renew the Board's authority to allot relevant securities. The Company is a party to a number of agreements that take effect, alter or terminate upon a change of control of the Company such as commercial contracts, banking agreements, property lease arrangements and employee share plans. None of these are considered to have a significant impact on the business of the Group.

The Directors are not aware of any agreements between the Company and its Directors or employees that provide for compensation for loss of office or employment in the event of a takeover of the Company.

Substantial shareholders

As at 25 January 2010 the Company has been notified of the following substantial shareholdings comprising 3% or more of the issued share capital of the Company

	Ordinary shares number	Percentage %
GGG Spa	8,823,898	20.97
M&G Group Limited	6,080,987	14.45
Impax Environmental plc	4,432,550	10.54
Aviva Investors	3,465,557	8.24
Gartmore Investment Management	1,963,000	4.67
Cavendish Asset Management	1,620,000	3.85
Standard Life	1,360,000	3.23

Corporate governance

The disclosure requirements set out in the Disclosure and Transparency Rules, paragraph 7.2, are included within the Corporate governance report on pages 26 to 28.

Employment policies

The Group's employment policies are described in the Corporate and social responsibility report on page 21.

Donations

The Group made a number of charitable donations totalling £14,000 (2008: £15,000) during the year. Substantially all charitable donations were made to local charities operating in Hendersonville, North Carolina. In accordance with Company policy, no political donations were made in the year (2008: £nil).

Annual General Meeting

The Annual General Meeting of the Company is to be held on Tuesday 13 April 2010. The notice for this meeting and proxy forms have been sent to shareholders separately.

Resolution 4 and 5 – Re-election of Michael Gatenby and Andrew Walker as Directors

The Articles of Association require certain of the Directors to retire by rotation at each Annual General Meeting. At the Meeting, Michael Gatenby and Andrew Walker will retire and offer themselves for re-election. Resolutions 4 and 5 propose their re-election. Brief biographies of the Directors are set out on page 14 of the Annual Report.

Resolution 7 and 8 – Directors' authority to allot shares (ordinary resolution) and disapply pre-emption rights (special resolution)

Resolution 7 authorises the Directors to allot shares under section 551 of the Companies Act 2006. Paragraph 7.1 gives the Directors customary authority to allot ordinary shares or grant such subscription or conversion rights as are contemplated by sections 551(1)(a) and (b) respectively of the Companies Act 2006 up to an aggregate nominal amount of £335,944, being an amount equal to one third of the Company's issued share capital as at 25 January 2010 and the amount of all outstanding options. As at 25 January 2010, the Company did not hold any treasury shares. Paragraph 7.2 gives the Directors authority to issue an additional aggregate nominal amount of up to £280,491, being an amount equal to one third of the Company's issued share capital as at 25 January 2010. This additional authority is to be applied to rights issues only and is in accordance with the recommendations of the Rights Issue Review Group and the Association of British Insurers (the "ABI").

The Directors do not currently intend to conduct a rights issue but, should circumstances change and the Directors do exercise such further authority, they intend to comply with the ABI recommendations and stand for re-election at the next Annual General Meeting of the Company if they wish to remain in office. The authorities granted under Resolution 7 shall expire at the next Annual General Meeting of the Company. Resolution 7 replaces a similar resolution passed at the Annual General Meeting of the Company held on 7 April 2009.

If the Directors wish to allot unissued shares or other equity securities for cash or sell any shares which the Company holds in treasury following a purchase of its own shares pursuant to the authority in Resolution 9, the Companies Act 2006 requires that such shares or other equity securities are offered first to existing shareholders in proportion to their existing holding. Resolution 8 asks shareholders to grant the Directors authority to allot equity securities or sell treasury shares for cash up to an aggregate nominal value of £42,073 (being 5% of the Company's issued ordinary share capital as at 25 January 2010) without first offering the securities to existing shareholders. The resolution also disapplies the statutory pre-emption provisions in connection with a rights issue and allows the

Directors, in the case of a rights issue, to make appropriate arrangements in relation to fractional entitlements or other legal or practical problems which might arise. The Directors confirm that they do not intend to issue in excess of 7.5% of the Company's issued ordinary share capital within any rolling three year period without prior consultation with shareholders. The authority will expire at the next Annual General Meeting of the Company.

In addition, there are three items of special business

Resolution 9 – Purchases of own shares by the Company (special resolution)

Resolution 9 to be proposed at the Annual General Meeting seeks authority from shareholders for the Company to make market purchases of its own ordinary shares, such authority being limited to the purchase of 10% of the ordinary shares in issue as at 25 January 2010. The maximum price payable for the purchase by the Company of its own ordinary shares will be limited to the higher of (i) 5% above the average of the middle market quotations of the Company's ordinary shares, as derived from the Daily Official List of the London Stock Exchange, for the five business days prior to the purchase and (ii) the higher of the price of the last independent trade of an ordinary share and the highest current independent bid for an ordinary share as derived from the London Stock Exchange Trading System SETS. The minimum price payable by the Company for the purchase of its own ordinary shares will be 2p per share (being the nominal value of an ordinary share). The authority to purchase the Company's own ordinary shares will only be exercised if the Directors consider that there is likely to be a beneficial impact on earnings per ordinary share and that it is in the best interests of the Company at the time. The resolution renews a similar resolution passed at the Annual General Meeting of the Company held on 7 April 2009. Any ordinary shares so purchased by the Company will be held in treasury by the Company and will remain in issue and be capable of being re-sold by the Company or used in connection with certain of its share schemes.

Options to subscribe for up to 2,772,668 ordinary shares have been granted and are outstanding as at 25 January 2010 (being the latest practicable date prior to publication of this document) representing 6.2% of the issued ordinary share capital at that date (excluding shares held in treasury). If the Directors were to exercise in full the power for which they are seeking authority under Resolution 9 the options outstanding as at 25 January 2010 would represent 6.8% of the ordinary share capital (excluding shares held in treasury) in issue following such exercise.

Resolution 10 – Adoption of new Articles of

Association of the Company (special resolution). It is proposed in Resolution 10 to adopt new Articles of Association (the "New Articles") in order to update the Company's current Articles of Association (the "Current Articles") primarily to take account of the implementation on 1 October 2009 of the last parts of the Companies Act 2006 and also the coming into force of The Companies (Shareholders' Rights) Regulations 2009. Generally, the opportunity has been taken to bring clearer language into the New Articles and in some areas to conform the language of the New Articles with that used in the model articles for public companies set out in secondary legislation. In addition, the following changes have been made:

The Company's objects

Prior to 1 October 2009, the provisions regulating the operations of the Company were set out in the Company's memorandum and the Current Articles. The Company's memorandum contained, among other things, the objects clause which set out the scope of the activities the Company was authorised to undertake. This was drafted to give a wide scope.

The Companies Act 2006 has significantly reduced the constitutional significance of a company's memorandum and provides that a memorandum will record only the names of subscribers and the number of shares each subscriber has agreed to take in the company. Under the Companies Act 2006 for companies existing at 1 October 2009, the objects clause and all other provisions which were contained in a company's memorandum have, since that date, been deemed to be contained in that company's articles of association. However, a company can remove some of these provisions by special resolution.

The Companies Act 2006 states that unless a company's articles of association provide otherwise, a company's objects are unrestricted. This abolishes the need for companies to have objects clauses. For this reason the Company is proposing to remove its objects clause which, by virtue of the Companies Act 2006, is to be treated as forming part of the Current Articles. Resolution 10 confirms the removal of these provisions for the Company. As the effect of this resolution will be to remove the statements imported from the Company's memorandum of association regarding limited liability and the location of the Company's registered office, the New Articles also contain express provisions reflecting these statements.

Articles which duplicate statutory provisions
Provisions in the Current Articles which replicate provisions contained in the Companies Act 2006 are in the main to be removed in the New Articles. This is in line with the approach advocated by the Government that statutory provisions should not be duplicated in a company's constitution.

Directors' report continued

Change of name

Under the Companies Act 1985, a company could only change its name by special resolution. Under the Companies Act 2006 a company will be able to change its name by other means provided for by its articles of association. To take advantage of this provision, the New Articles enable the Directors to pass a resolution to change the Company's name.

Authorised share capital and unissued shares

The Companies Act 2006 abolishes the requirement for a company to have an authorised share capital and the New Articles reflect this. The Directors will still be limited as to the number of shares they can at any time allot because allotment authority continues to be required under the Companies Act 2006, save in respect of employee share schemes.

Redeemable shares

Under the Companies Act 1985 if a company wished to issue redeemable shares, it had to include in its articles the terms and manner of redemption. The Companies Act 2006 enables directors to determine such matters instead provided they are so authorised by the articles of association. The New Articles contain such an authorisation. The Company has no plans to issue redeemable shares but if it did so the Directors would need shareholders' authority to issue new shares in the usual way.

Authority to purchase own shares, consolidate and sub-divide shares, and reduce share capital
Under the Companies Act 1985 a company required specific enabling provisions in its articles of association to purchase its own shares, to consolidate or sub-divide its shares and to reduce its share capital or other undistributable reserves as well as shareholder authority to undertake the relevant action. The Current Articles include these enabling provisions. Under the Companies Act 2006 a company will only require shareholder authority to do any of these things and it will no longer be necessary for articles of association to contain enabling provisions. Accordingly, the relevant enabling provisions have been removed in the New Articles.

Use of seals and execution of documents

Under the Companies Act 1985 a company required authority in its articles to have an official seal for use abroad. Under the Companies Act 2006 such authority will no longer be required. Accordingly, the relevant authorisation has been removed in the New Articles.

The New Articles provide an alternative option for execution of documents (other than share certificates). Under the New Articles, when the seal is affixed to a document it may be signed by one authorised person in the presence of a witness, whereas previously the requirement was for signature by either a Director and the Secretary or two Directors or such other person or persons as the Directors may approve.

Suspension of registration of share transfers

The Current Articles permit the Directors to suspend the registration of transfers. Under the Companies Act 2006 share transfers must be registered as soon as practicable. The power in the Current Articles to suspend the registration of transfers is inconsistent with this requirement. Accordingly, this power has been removed in the New Articles.

Vacation of office by Directors

The Current Articles specify the circumstances in which a Director must vacate office. The New Articles update these provisions to reflect the approach taken on mental and physical incapacity in the model articles for public companies set out in secondary legislation.

Voting by proxies on a show of hands

The Shareholders' Rights Regulations have amended the Companies Act 2006 so that it now provides that each proxy appointed by a member has one vote on a show of hands unless the proxy is appointed by more than one member in which case the proxy has one vote for and one vote against if the proxy has been instructed by one or more members to vote for the resolution and by one or more members to vote against the resolution. The New Articles reflect these changes.

Voting by corporate representatives

The Shareholders' Rights Regulations have amended the Companies Act 2006 in order to enable multiple representatives appointed by the same corporate member to vote in different ways on a show of hands and a poll. The New Articles contain provisions which reflect these amendments.

Electronic conduct of meetings

Amendments made to the Companies Act 2006 by the Shareholders' Rights Regulations specifically provide for the holding and conducting of electronic meetings. The Current Articles have been amended to reflect more closely the relevant provisions.

Adjournments for lack of quorum

Under the Companies Act 2006 as amended by the Shareholders' Rights Regulations, general meetings adjourned for lack of quorum must be held at least 10 clear days after the original meeting. The Current Articles have been changed to reflect this requirement.

Voting record date

Under the Companies Act 2006 as amended by the Shareholders' Rights Regulations, the Company must determine the right of members to vote at a general meeting by reference to the register not more than 48 hours before the time for the holding of the meeting, not taking account of days which are not working days. The Current Articles have been amended to reflect this requirement.

Resolution 11 – Calling of general meetings (special resolution)

Resolution 11 to be proposed at the Annual General Meeting seeks authority from shareholders to hold general meetings (other than Annual General Meetings) on 14 days' clear notice. This is permissible under the Current Articles and the Companies Act 2006. However, pursuant to the EU Shareholders' Rights Directive and in accordance with published guidance from the Department of Business, Enterprise and Regulatory Reform, specific shareholder approval is required annually. The Directors believe that there may be circumstances in which it will be in the interests of the Company to be able to convene meetings at such short notice. Accordingly, the Directors believe that it is important for the Company to retain this flexibility. Resolution 11 renews a similar resolution passed at the Annual General Meeting of the Company held on 7 April 2009.

Creditor payment policy

The individual operating companies are responsible for agreeing the terms and conditions under which they conduct transactions with their suppliers. It is Group policy that payments to suppliers should be made in accordance with these terms provided that the supplier is also complying with all relevant terms and conditions. The trade creditor days of the Company at 30 November 2009 were 42 days (2008: 44 days).

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,

- state whether IFRSs as adopted by the European Union and applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Group and parent company financial statements respectively, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulations. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Each of the Directors, whose names and functions are listed on page 14 confirm that, to the best of their knowledge

- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group, and
- the Chairman and Chief Executive's Statement, the Finance Director's review and the Director's report, when taken together, include a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

Directors' responsibility for provision of information to the Auditors

So far as each Director is aware, there is no relevant audit information of which the Company's Auditors are unaware, and each Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's Auditors are aware of that information.

Directors' report continued

Financial risk management

The Group's operations expose it to a variety of financial risks that include the effects of changes in debt market prices, credit risk, liquidity risk and interest rate risk. The Group has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the Group by monitoring levels of debt finance and the related finance costs.

Throughout the year the Group maintained some of its borrowings at floating rates of interest and was therefore exposed to movements in the interest rates of both the US dollar and Sterling. The Group has fixed certain of its interest rate exposure on its borrowings for up to three years. The Group will apply hedge accounting to these transactions.

The Group seeks to minimise its exposure to the impact of exchange rate movements on its net investments and seeks to maintain borrowings in US dollars equivalent to at least 60% of the carrying value of its US dollar net tangible assets in its US operations.

The UK operations of the business generate significant revenues in US dollars and the Group seeks to minimise the impact of movements in the US dollar exchange rate on the value of these US dollar flows by using financial instruments to fix the future value of the US dollars. The Group does not apply hedge accounting to these transactions.

Given the size of the Group, the Directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the Board. The policies set by the Board of Directors are implemented by the Company's finance department. The department has a policy and procedures manual that sets out specific guidelines to manage interest rate risk, credit risk and circumstances where it would be appropriate to use financial instruments to manage these.

Liquidity risk

The Group actively maintains a mixture of long-term and short-term debt finance that is designed to ensure the Group has sufficient available funds for operations and planned expansions.

Price risk

The Group is exposed to commodity price risk as a result of its operations. The Group buys certain raw materials and energy on long term contracts to minimise its exposure to fluctuation in commodity prices. In all cases these contracts result in the ultimate delivery and use by the Group of the commodity. The Group has no exposure to equity securities price risk as it holds no listed or other equity investments.

Credit risk

The Group has implemented policies that require appropriate credit checks on potential customers before sales are made. Debt finance is very rarely used and is reviewed on a case by case basis by the Board of Directors.

Interest rate cash flow risk

The Group has both interest bearing assets and interest bearing liabilities. Interest bearing assets include only a commercial loan, which earns interest at fixed rate. The Group changed its policy during the year towards its interest rate exposure and now maintains between 40% and 60% of its borrowings at a fixed interest rate. The Directors will revisit the appropriateness of this policy should the Group's operations change in size or nature.

Going concern

After having made appropriate enquiries, including a review of the Group's budget for 2010 and its medium term plans, the Directors of Porvair plc have a reasonable expectation that the Group and Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing these accounts.

Auditors

PricewaterhouseCoopers LLP have indicated their willingness to continue in office and a resolution concerning their re-appointment will be put to the Annual General Meeting.

By order of the Board



Christopher Tyler, Company Secretary
25 January 2010

Corporate and social responsibility report

Policy

The Board's policy is to enhance shareholder value in an ethical and socially responsible manner. The Board believes that operating efficiently with high quality standards includes promoting high standards of health and safety and helping to protect the environment. As a minimum the Group operations are required to meet the legal and regulatory requirements of operating in their local jurisdiction.

Employment policies

We pride ourselves on our people and their ability to provide innovative solutions for our customers. Porvair is committed to employing talented people and enabling them to reach their full potential. We provide employment in a wide range of disciplines associated with the design and manufacture of filtration and separation equipment.

The Group involves 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 obtains 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 local briefings.

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

Applications for employment by disabled persons are always considered in full, 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 all other employees.

Health and safety

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's insurers carry out periodic reviews of the Group's operations as part of their risk assessments and the recommendations of the

consultants are generally implemented in full. Local management is responsible for implementing policies that protect and improve the health and safety of their employees. Discretionary health and safety benefits for employees include the availability of gyms and on site nursing staff at certain operations.

The Group's regular reporting procedures include a review of accidents in the workplace. During the year the Group has not had any accidents in its operations resulting in lost days from the workplace.

The environment

Many of the products developed by Porvair are used to the benefit of the environment. Examples include

- Seal water analysis equipment, which is used, inter alia, to ensure drinking water is fit for consumption, and to analyse sea and river water for signs of pollution or changes to normal mineral composition,
- The newly developed molten aluminium filter, which won the American Ceramic Society Corporate Environmental Achievement Award for its improved environmental profile, and
- The Group's nuclear filters, which have been fitted to a range of demonstration plants being assessed as part of the decontamination and decommissioning work being carried out at major US and UK nuclear waste sites.

The Group consistently considers methods of improving its environmental profile. Environmental impacts are managed in conformity with local regulatory requirements. The Group's manufacturing processes have only a limited potential emissions impact. The Group uses solvents in certain of its processes and, in its Metals Filtration division, manages the emissions from its kiln firing operations.

Recent developments in the Group's management of emissions include the installation of a 100% solvent recovery system in the Group's new operations in Fareham, and enhanced emissions control processes in the Metals Filtration operations, to capture emissions from the new aluminium filter's production. In addition, the Group has undertaken a full review of the environmental impact of the Group's principal Metals Filtration operation. The operation was found to have made very little impact on the local environment and the minor recommendations made by the consultants have been implemented.

Porvair and the local community

The management of each operation is aware of its role within its local communities. They seek to recruit locally and retain a skilled local workforce and are encouraged to build relationships with local community organisations.

Report of the Remuneration Committee

This part of the report of the Remuneration Committee is unaudited

This report complies with the Combined Code on Corporate Governance published in June 2008 (the "Combined Code") and sets out the Group's remuneration policy and details of Directors' remuneration. A resolution to approve this report will be proposed at the Annual General Meeting in April 2010.

The Committee

During the year, the Committee comprised Michael Gatenby, Charles Matthews and Andrew Walker (Chairman). The Committee determines the pay and benefits of the Executive Directors, whilst the remuneration of the Non-Executive Directors is determined by the Executive Directors. The Committee uses external published data as part of its assessment of the pay and benefits awarded to the Executive Directors.

Remuneration policy

The remit of the Committee is to ensure that the remuneration packages of the Executive Directors are competitive and designed to attract, retain and motivate managers of high quality. These consist of a base salary, a discretionary annual cash bonus, the grant of share options and long term incentives, and the provision of other benefits including pension arrangements, life insurance, health insurance and company car.

Service contracts

The Executive Directors have rolling contracts with the Company which can be terminated on giving twelve months' notice. This is considered to be an appropriate balance between flexibility and commitment on both parties. The Non-Executive Directors receive letters of appointment, and are subject to periodic re-election in accordance with the Articles of Association at the Annual General Meeting in common with the Executive Directors. They do not participate in any share option scheme, bonus or pension arrangements.

Annual bonus

Bonus payments to Executive Directors are made at the discretion of the Committee with reference to individual performance, the achievement of Group

profit targets and total shareholder returns. When triggered, they are cash payments made annually in arrears and are not pensionable. Awards are capped at 50% of base salary. There will not be any bonuses paid in 2010 relating to the Group's profit targets in 2009.

This part of the Report of the Remuneration Committee is audited

Pension entitlements

The Porvair plc Pension and Death Benefit Plan is a contributory scheme, which is now closed to new employees. Pension benefits from the plan were subject to the HMRC earnings cap and the Group has continued to maintain an earnings cap since the HMRC limits were removed in April 2006. Pension benefits up to the capped limit were provided in the period for Ben Stocks by the Plan. Ben Stocks is entitled to the same pension benefits from the Plan as all other members. Only basic salary is pensionable.

Ben Stocks also receives a 15% contribution to a Self Invested Pension Plan ("SIPP") on the difference between his full salary and the capped limit covered by The Porvair plc Pension and Death Benefit Plan. Pension benefits are provided for Christopher Tyler by a contribution of 15% of full salary to a stakeholder scheme funded by the Company.

Life assurance benefits covering a lump sum of four times salary on death in service and a 20% spouse's pension are provided for Ben Stocks and Christopher Tyler by the Porvair plc Pension and Death Benefit Plan. Ben Stocks and Christopher Tyler are covered by the Group's permanent health insurance scheme.

The accumulated total accrued pension figures shown in the table below represent the annual amount of accrued pension payable from The Porvair plc Pension and Death Benefit Plan on retirement at normal retirement age, based on Ben Stocks' service to, and pensionable earnings at, the relevant year end. The increase in transfer value of the pensions is calculated on the basis of actuarial advice and is net of Directors' contributions in the year.

	Accrued pension at 30 November 2009 £ per annum	Increase in accrued pension during the year £ per annum	Increase in accrued pension during the year net of inflation £ per annum	Transfer value of accrued pension at 30 November 2009 £	Transfer value of accrued pension at 30 November 2008 £	Increase in transfer value in respect of accrued pension over the year net of Director's contributions £
B D W Stocks	19,562	2,556	1,706	114,892	61,896	2,724

The Company paid £19,476 (2008: £19,263) to a SIPP for Ben Stocks and £26,238 (2008: £25,650) to a stakeholder pension plan for Christopher Tyler in respect of the financial year 2009.

Directors' remuneration

The following table shows the total remuneration of the Directors for the year

	Basic salary and fees £ 000	Bonus £ 000	Benefits £ 000	Total 2009 £ 000
2009				
<i>Executive Directors</i>				
B D W Stocks	251	–	22	273
C P Tyler	175	–	19	194
<i>Non-Executive Directors</i>				
M R B Gatenby	26			26
C L Matthews	67			67
A J Walker	26			26
	545	–	41	586
2008				
	Basic salary and fees £ 000	Bonus £ 000	Benefits £ 000	Total 2008 £ 000
<i>Executive Directors</i>				
B D W Stocks	245	74	22	341
C P Tyler	171	51	19	241
<i>Non-Executive Directors</i>				
M R B Gatenby	25			25
C L Matthews	66			66
A J Walker	25			25
	532	125	41	698

Benefits include company cars, medical insurance, life insurance and permanent health insurance

Share options

Share options are awarded to Executive Directors at the discretion of the Committee, usually immediately after the announcement of the Group's results

Details of the share options held by the Executive Directors at the end of the year, which have been granted under Porvair Share Option Schemes, are as follows

	At 30 November 2008 Number	Granted/ (Exercised/ lapsed) in the year Number	At 30 November 2009 Number	Exercise price	Scheme	Grant/ exercise date	Date from which exercisable	Expiry date
B D W Stocks	70,000		70,000	111 00p	1997		28/01/2006	28/01/2010
	150,000		150,000	98 00p	1997		25/01/2008	25/01/2012
	76,330		76,330	131 00p	2005 EMI		27/01/2009	27/01/2016
	123,670		123,670	131 00p	2005		27/01/2009	27/01/2016
	100,000		100,000	138 00p	2005		02/02/2010	02/02/2017
	100,000		100,000	114 00p	2005		10/03/2011	10/03/2018
	452,166		452,166	2 00p	LTSP2008		10/04/2011	10/04/2018
	11,750		11,750	80 00p	SAYE		01/10/2011	01/04/2012
		200,000	200,000	69 50p	2005	30/01/2009	30/01/2012	30/01/2019
C P Tyler	60,000		60,000	101 50p	1997		16/09/2007	28/01/2011
	100,000		100,000	98 00p	1997		25/01/2008	25/01/2012
	76,330		76,330	131 00p	2005 EMI		27/01/2009	27/01/2016
	23,670		23,670	131 00p	2005		27/01/2009	27/01/2016
	50,000		50,000	138 00p	2005		02/02/2010	02/02/2017
	50,000		50,000	114 00p	2005		10/03/2011	10/03/2018
	315,207		315,207	2 00p	LTSP2008		10/04/2011	10/04/2018
	11,750		11,750	80 00p	SAYE		01/10/2011	01/04/2012
		100,000	100,000	69 50p	2005	30/01/2009	30/01/2012	30/01/2019

Report of the Remuneration Committee continued

Options granted under the 1997 scheme can only be exercised if the Committee is satisfied that over a period of not less than three years, commencing on the date of grant, there has been an increase in the Group's earnings per share of at least 2% per annum above the growth in the Retail Prices Index over the same period. Only HMRC approved options can now be issued under this scheme. Under the 1997 scheme no Director may accumulate an issued value of more than four years' salary in unexpired options.

Options granted between 2005 and 2008 under the 2005 scheme can only be exercised in full if the Committee is satisfied that over a period of either three or four years from the date of grant there has been an increase in the Group's earnings per share of at least 10% per annum above the growth in the Retail Prices Index over the same period. 25% of the options awarded can be exercised if the Committee is satisfied that over a period of either three or four years from the date of grant there has been an increase in the Group's earnings per share of at least 5% per annum above the growth in the Retail Prices Index over the same period. A sliding scale operates between the two limits. If the vesting conditions are not met after four years then the options lapse. For options granted in 2009 and later similar performance conditions apply, except that the conditions will have to be met after three years otherwise the options will lapse. Under the 2005 scheme, except under exceptional circumstances, no Director may be granted options to the value of more than one year's salary per annum.

Options granted in 2008 under the Porvair Long Term Share Plan 2008 can only be exercised in full if the Committee is satisfied that

- a) in the financial year ending 30 November 2010 the Group has achieved earnings per share of at least 11.6 pence per share, and
- b) the peak share price in the year to 10 April 2011 has been at least 245 pence for at least 20 working days.

25% of the award will vest if the condition in a) above is satisfied and the share price in the year to 10 April 2011 has been at least 205 pence for at least 20 working days. A sliding scale operates between a peak share price of 205 pence and 245 pence. No shares will vest if the share price does not reach 205 pence for at least 20 working days in the year to 10 April 2011.

The Committee retains the discretion to vary the performance conditions on any future awards.

Options were granted in 2007 and 2008 under a Save As You Earn (SAYE) scheme. The options were issued at a 20% discount to the market price at the date of grant. The options have no performance conditions.

The market price of the Company's ordinary shares at 30 November 2009 was 45 pence (2008: 62.5 pence).

The range of market prices during the year was 45 pence to 77 pence.

The Directors did not exercise any share options in the year ended 30 November 2009.

This part of the Report of the Remuneration Committee is unaudited.

Total shareholder return

The following graphs chart total shareholder return against the FTSE SmallCap Index for the last five years and the last year, with both rebased to 100. Given the size of the Group and different sectors it operates in, the FTSE SmallCap Index is the logical comparator index.

5 year total shareholder return

180
160
140
120
100
80
60
40
20
0

Dec 04

Jun 05

Dec 05

Jun 06

Dec 06

Jun 07

Dec 07

Jun 08

Dec 08

Jun 09

Dec 09

1 year total shareholder return

200
180
160
140
120
100
80
60
40
20
0

Dec 08

Jan 09

Feb 09

Mar 09

Apr 09

May 09

Jun 09

July 09

Aug 09

Sep 09

Oct 09

Nov 09

Dec 09

Jan 10

— Porvair plc — FTSE SmallCap Index

Directors' interests

The beneficial interests at 30 November 2009 and 30 November 2008 of the Directors in the ordinary shares of the Company are shown below. There have been no changes in those interests up to the date of this report.

	2009		2008	
	Ordinary shares	Share options	Ordinary shares	Share options
<i>Executive Directors</i>				
B D W Stocks	100,283	1,283,916	98,070	1,083,916
C P Tyler	24,000	786,957	9,500	686,957
<i>Non-Executive Directors</i>				
M R B Gatenby	14,000	–	14,000	–
C L Matthews	10,000	–	10,000	–
A J Walker	4,236	–	4,119	–

Andrew Walker, Chairman Remuneration Committee
25 January 2010

Corporate governance

Compliance

The Directors are of the opinion that the Company has complied with the provisions of the Combined Code (2008) on Corporate Governance (which is publicly available at www.frc.org) throughout the year except where explicitly set out below

Board of Directors

The Board consists of five Directors, two Executive Directors and three Non-Executive Directors. The Board is chaired by Charles Matthews. Ben Stocks is the Group Chief Executive and Christopher Tyler is the Group Finance Director. Michael Gatenby, Charles Matthews and Andrew Walker are independent Non-Executive Directors. Michael Gatenby is the Senior Independent Non-Executive Director. The Board considers that Charles Matthews continues to be an independent Non-Executive Director after his appointment as Chairman.

The Board has a fixed schedule for reviewing the Group's operating performance and has other specific responsibilities reserved to it, which include

- Approval of the published financial results and dividends,
- Appointments to the Board and other Board committees,
- Approval of the strategic direction of the business,
- Approval of expenditure over certain limits,
- Approval for acquisitions and disposals,
- Approval of treasury policy and significant new financing,
- Approval of the funding policies of the defined benefit pension scheme

The Executive Directors manage the day to day operations of the business within the framework set out by the Board. Outside the formal schedule of Board meetings the Chairman and Non-Executive Directors make themselves available for consultation with the Executive team as necessary.

Procedural compliance is monitored by the Company Secretary and the Directors' appointment and removal is a matter for the Board as a whole. Independent professional advice and training are available to all the Directors. The Senior Non-Executive Director, Michael Gatenby, is available for consultation with shareholders through the Company Secretary, by written submission. The Executive Directors and the Chairman have met with the Company's major shareholders and other potential investors on a regular basis and have reported to the Board on those meetings.

The Non-Executive Directors' terms of appointment do not specify a specific period for their appointment and therefore the terms are not in compliance with provision B 1.6 of the Code, however in accordance with the Articles of Association, one third of the Directors who have served throughout the year retire by rotation each year and, if eligible, may offer themselves for re-election at the Annual General Meeting. All newly appointed Directors offer themselves for election at the first Annual General Meeting following their appointment.

On joining the Board a new Director receives appropriate induction including meeting with other Directors, visiting the Group's principal operations and meeting with senior management and the Group's principal advisers.

The Board has put in place a procedure by which any Director may take independent professional advice at the expense of the Company, in furtherance of his duties as a Director of the Company.

The Company maintains Directors' and Officers' liability insurance.

The Board has a schedule of six pre-arranged meetings during the year. In addition such other meetings as are required are arranged to deal with specific issues or transactions. During the year there was full attendance at all pre-arranged Board meetings.

The Board undertook a rigorous self assessment review during the year to consider its own performance. The Senior Non-Executive Director maintains regular contact with the other Independent Non-Executive Directors and the Executive Directors, sufficient to monitor the performance of the Chairman. The Chairman, in consultation with the Executive Directors, monitors the performance of the Non-Executive Directors.

Audit Committee

The Audit Committee currently comprises all of the Independent Non-Executive Directors of the Company. The Chairman of the Audit Committee is Michael Gatenby. The Committee includes Charles Matthews, the Chairman of the Company.

The Audit Committee has a formal timetable of meetings. Representatives of the Company's auditors, PricewaterhouseCoopers LLP, attend meetings by invitation. Other employees of the Company may be invited to attend meetings as and when required.

The Board considers that all members of the Committee have recent and relevant financial experience to enable it to discharge its function. The Committee has a formal agenda, timetable and terms of reference. During the course of the period under review it has

- reviewed the financial statements of the Company and any formal announcements relating to the Company's financial performance prior to announcement,
- monitored the Company's internal financial controls and the Company's internal control and risk management systems and ensured that these are properly reviewed by the Group's management,
- reviewed the scope of the work done by the Group Internal auditor in reviewing the operating companies' internal controls and procedures,
- made recommendations to the Board in relation to the appointment of the external auditor and approved the remuneration and terms of engagement of the external auditor,
- monitored the external auditor's independence and objectivity, and
- reviewed arrangements by which staff of the Company may raise concerns about possible improprieties in matters of financial reporting or other matters

The Committee's full terms of reference are available on the Group's website, www.porvair.com

The Audit Committee has set a policy which is intended to maintain the independence and objectivity of the Company's auditors when acting as auditor of the Group accounts. The policy governs the provision of audit and non-audit services provided by the auditor and, in summary, requires significant non-audit services other than routine tax compliance services to be subjected to a competitive tendering process

The Committee is authorised to engage the services of external advisers, as it deems necessary, at the Company's expense in order to carry out its function

The Audit Committee met three times during the year. There was full attendance by its members

Remuneration Committee

The Remuneration Committee determines and recommends to the Board the framework or broad policy for the remuneration and long term incentive arrangements of the Company's Executive Directors. The Committee's full terms of reference are available on the Group's website, www.porvair.com. The Committee comprises all of the independent Non-Executive Directors of the Company. Andrew Walker is the Chairman of the Committee. The Group Chief Executive may be invited to attend and speak at meetings of the Committee, but does not participate in any matter which impacts upon his own remuneration arrangements. The remuneration of the Non-Executive

Directors, including the Chairman, is set by the Executive Directors

The Report of the Remuneration Committee on pages 22 to 25 includes details on remuneration policy, practices and the remuneration of the Directors

The Remuneration Committee met twice during the year and was fully attended by all of its members

The Committee's full terms of reference are available on the Group's website, www.porvair.com

Nomination Committee

The Company has established a Nomination Committee, which provides a transparent process and procedure for the appointment of new Directors to the Board. The Committee comprises all of the Non-Executive Directors. The Committee is chaired by the Chairman of the Company. The Committee's terms of reference, include

- being responsible for identifying and nominating candidates to fill Board vacancies,
- evaluating the balance of skills, knowledge and experience on the Board and the leadership needs of the organisation, and
- succession planning

Any Director appointed since the last Annual General Meeting is required, under the Articles of Association, to retire and seek election by the shareholders at the next AGM

The Committee's full terms of reference are available on the Group's website, www.porvair.com

The Nomination Committee did not meet during the year. However, the Group's leadership and succession planning was considered in a meeting of the full Board

Internal control

The Turnbull Report issued in 2005 gives guidance for directors on reviewing internal controls and reporting. The Company has complied in full throughout the year, and up to the date the financial statements were approved, with the recommendations of the Turnbull Report

The Board has overall responsibility for ensuring that the Group maintains a system of internal control. The system is not designed to eliminate the risk that the Group's objectives will not be achieved but to ensure that there is an ongoing process for identifying, evaluating and managing the significant risks. As with any such system, it can only provide reasonable, but not absolute, assurance against material misstatement or loss. The Board has reviewed the effectiveness of the process regularly throughout the year. The Group's key procedures are as follows

Corporate governance continued

Control environment – each operating business has its own management group which meets regularly to monitor operational matters. The Managing Director of each operating business reports to the Group Chief Executive, and clearly defined lines of responsibility have been established within this organisational structure. The Executive Directors visit all operations regularly to perform detailed reviews.

Risk management – operating business management have a clear responsibility for the identification of risks facing each operation, and for establishing procedures to investigate and monitor such risks. The Board also commissions independent reviews of the key risks facing the Group as appropriate.

Information and control systems – each operating business maintains its own internal systems and controls designed to provide management with regular and reliable management information. The Group has a comprehensive process of annual budgets and detailed monthly reporting. The annual budget of each operating business and the consolidated Group budget are approved by the Board as part of its normal responsibilities.

Monitoring system – the Board has established a framework of controls encompassing procedures applicable to all businesses that are subject to executive review. The Group operates a self-assessment process so that the operating businesses can quantify the extent of their compliance with control objectives. This process is monitored by the Group's internal auditor and the Group Finance Director. The Group has a formal whistle blowing procedure which gives employees the opportunity to escalate their concerns, ultimately to the Senior Non-Executive Director.

Consolidation process

Full management accounts for each entity in the Group are consolidated each month and review and analysis is carried out on those results. These consolidated accounts form the basis of reports that are provided to Board members every month.

The Audit Committee and the Board have reviewed the effectiveness of the Group's internal controls for the year 1 December 2008 to 30 November 2009.

Christopher Tyler, Company Secretary
25 January 2010

Independent auditors' report to the members of Porvair plc

We have audited the Group financial statements of Porvair plc for the year ended 30 November 2009 which comprise the Consolidated income statement, the Consolidated statement of recognised income and expense, the Consolidated balance sheet, the Consolidated cash flow statement, the Reconciliation of net cash flow to movement in net debt and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Respective responsibilities of Directors and auditors
As explained more fully in the Directors' Responsibilities Statement set out on page 19, the Directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the Group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the financial statements.

Opinion on financial statements
In our opinion the Group financial statements

- give a true and fair view of the state of the Group's affairs as at 30 November 2009 and of its profit and cash flows for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006
In our opinion

- the information given in the Directors' Report for the financial year for which the Group financial statements are prepared is consistent with the Group financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following

Under the Companies Act 2006 we are required to report to you if, in our opinion

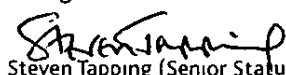
- certain disclosures of Directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit, or
- a corporate governance statement has not been prepared by the parent company.

Under the Listing Rules we are required to review

- the Directors' statement, set out on page 20, in relation to going concern, and
- the part of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

Other matter

We have reported separately on the parent company financial statements of Porvair plc for the year ended 30 November 2009 and on the information in the Directors' Remuneration Report that is described as having been audited.


Steven Tapping (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cambridge
25 January 2010

Consolidated income statement

Group

For the year ended 30 November	Note	2009		2008	
		Before Exceptional items £ 000	Exceptional items £ 000	Total £ 000	Total £ 000
Continuing operations					
Revenue	2	55,225	–	55,225	54,839
Cost of sales		(37,783)	–	(37,783)	(37,172)
Gross profit		17,442	–	17,442	17,667
Distribution costs		(724)	–	(724)	(705)
Administrative expenses		(13,953)	(662)	(14,615)	(12,146)
Operating profit/(loss)	2	2,765	(662)	2,103	4,816
Interest payable and similar charges	5	(1,115)	–	(1,115)	(879)
Interest receivable	5	68	–	68	221
Profit/(loss) before income tax	3	1,718	(662)	1,056	4,158
Income tax (expense)/credit	6	(317)	75	(242)	(1,261)
Overseas tax (expense)/credit	6	(260)	135	(125)	(27)
Profit/(loss) for the year attributable to shareholders	23	1,141	(452)	689	2,870
Earnings/(loss) per share (basic)	7	2.7p	(1.1)p	1.6p	7.0p
Earnings/(loss) per share (diluted)	7	2.7p	(1.1)p	1.6p	7.0p

Consolidated statement of recognised income and expense

For the year ended 30 November	Note	2009 £ 000	2008 £ 000
Exchange differences on translation of foreign subsidiaries	23	(872)	5,119
Actuarial losses on defined benefit pension scheme	20	(4,900)	(2,200)
Interest rate swap hedge	23	(245)	–
Taxation credit on items taken directly to equity	19	1,362	493
Net (loss)/income recognised directly in equity		(4,655)	3,412
Profit for the year		689	2,870
Total recognised (loss)/income for the year		(3,966)	6,282
Attributable to shareholders of Porvair plc		(3,966)	6,282

Consolidated balance sheet

As at 30 November	Note	2009 £ 000	2008 £ 000
Non-current assets			
Property, plant and equipment	9	8,872	9,870
Goodwill and other intangible assets	10	37,634	38,604
Deferred tax asset	19	2,664	751
Other receivable	11	1,431	1,261
		50,601	50,486
Current assets			
Inventories	13	8,335	9,970
Trade and other receivables	14	8,865	11,078
Derivative financial instruments	12	100	–
Cash and cash equivalents	15	3,384	2,501
		20,684	23,549
Current liabilities			
Trade and other payables	16	(7,945)	(9,201)
Current tax liabilities		(735)	(372)
Bank overdrafts and loans	17	(582)	(582)
Finance lease liabilities	18	(142)	(164)
Derivative financial instruments	12	(245)	(283)
		(9,649)	(10,602)
Net current assets		11,035	12,947
Non-current liabilities			
Bank loans	17	(16,530)	(18,316)
Finance lease liabilities	18	(40)	(169)
Retirement benefit obligations	20	(8,606)	(3,704)
Provisions for other liabilities and charges	21	(65)	60
		(25,241)	(22,249)
Net assets		36,395	41,184
Capital and reserves			
Share capital	22	841	841
Share premium account	22	34,024	34,024
Cumulative translation reserve	23	423	1,295
Retained earnings	23	1,107	5,024
Total shareholders' equity		36,395	41,184

The financial statements on pages 30 to 62 were approved by the Board of Directors on 25 January 2010 and were signed on its behalf by

B D W Stocks

C P Tyler

C. P. Tyler
B. D. W. Stocks

Group

Consolidated cash flow statement

Group

For the year ended 30 November	Note	2009 £ 000	2008 £ 000
Cash flows from operating activities			
Cash generated from operations	24	6,016	4,237
Interest received		61	91
Interest paid		(997)	(823)
Tax paid		(564)	(599)
Net cash generated from operating activities		4,516	2,906
Cash flows from investing activities			
Acquisition of subsidiaries (net of cash acquired)	25	–	(5,121)
Purchase of property, plant and equipment	9	(928)	(2,628)
Purchase of intangible assets	10	(267)	(828)
Proceeds from sale of property, plant and equipment		–	7
Net cash used in investing activities		(1,195)	(8,570)
Cash flows from financing activities			
(Repayment of)/increase in borrowings		(1,286)	6,008
Dividends paid to shareholders	8	(947)	(909)
Capital element of finance leases		(151)	(88)
Net cash (used in)/generated from financing activities		(2,384)	5,011
Net increase/(decrease) in cash and cash equivalents		937	(653)
Effects of exchange rate changes		(54)	261
		883	(392)
Cash and cash equivalents at 1 December		2,501	2,893
Cash and cash equivalents at 30 November	15	3,384	2,501

Reconciliation of net cash flow to movement in net debt

	2009 £ 000	2008 £ 000
Net increase/(decrease) in cash and cash equivalents	937	(653)
Effects of exchange rate changes	446	(2,405)
Repayment of/(increase in) borrowings	1,286	(6,789)
Repayment of finance leases	151	88
Net debt at 1 December	(16,730)	(6,971)
Net debt at 30 November	(13,910)	(16,730)

Notes to the consolidated financial statements

1 Summary of significant accounting policies

Porvair is a public limited company registered in the UK and listed on the London Stock Exchange

Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRSs) as endorsed by the European Union, International Financial Reporting Interpretations Committee (IFRIC) interpretations and those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The Company has elected to prepare its entity accounts in accordance with United Kingdom Generally Accepted Accounting Practice ("UK GAAP") and these are presented on pages 64 to 70.

The financial statements have been prepared under the historical cost convention except for certain items that have been measured at fair value as detailed in the individual accounting policies.

The preparation of financial statements in conformity with generally accepted accounting practice requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately differ from those estimates.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 30 November each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to the income statement in the period of acquisition.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

All intra-group transactions, balances, income and expenditures are eliminated on consolidation.

Use of assumptions and estimates

The preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised.

Material estimates and assumptions are made in particular with regard to establishing uniform depreciation and amortisation periods for the Group, goodwill and intangible assets valuation, impairment testing, parameters for measuring pension and other provisions, determination of the fair value of long term receivables and the likelihood that tax assets can be realised.

The Group tests annually whether goodwill has suffered any impairment. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (note 10).

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition. The cost of acquisition includes the fair value of deferred consideration.

Goodwill is recognised as an asset and reviewed for impairment at least annually. Any impairment is recognised immediately in the income statement and is not subsequently reversed.

On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Goodwill arising on acquisitions before the date of transition to IFRSs has been retained at the previous UK GAAP amounts subject to being tested for impairment at that date.

Notes to the consolidated financial statements continued

1 Summary of significant accounting policies continued

Revenue recognition

Revenue comprises the invoiced value of goods and services supplied net of value added tax and other sales taxes. Revenue is recognised when goods are despatched to the customer at which point the risks and rewards of ownership are transferred. Revenue from service contracts is recognised on a straight-line basis over the contract period.

Interest income is accrued on a time basis, by reference to the principal outstanding and the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Finance lease payments are allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The rental obligations, net of finance charges, are included in current and non-current liabilities. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

Foreign currencies

The consolidated financial statements are presented in Pounds Sterling, which is the Company's functional and presentational currency. The Group determines the functional currency of each entity based on the primary economic environment in which the entity operates and items included in the financial statements of each entity are measured using that functional currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges.

Translation differences on non-monetary financial assets and liabilities held at fair value through profit and loss are recognised in profit or loss as part of the fair value gain or loss. Gains or losses arising on retranslation are included in the income statement for the period, except for exchange differences arising on non-monetary assets and liabilities where the changes in fair value are recognised directly in equity.

On consolidation, the assets and liabilities of the Group's overseas operations, borrowings and other currency instruments are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period unless exchange rates fluctuate significantly. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or expenditure in the period in which the operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Borrowing costs

All borrowing costs are typically recognised in profit or loss in the period in which they are incurred. Borrowing costs incurred in arrangement of new facilities are capitalised and subsequently recognised in the income statement over the period of the borrowings.

Government grants

Government grants for the development of new products are recognised over the periods necessary to match them with the related costs and are deducted in reporting the related expense.

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution schemes where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit scheme.

For defined benefit retirement schemes, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognised in full in the period in which they occur. They are recognised outside the income statement in the consolidated statement of recognised income and expense.

Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

1 Summary of significant accounting policies continued

The retirement benefit obligation in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, and as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service costs, plus the present value of available refunds and reductions in future contributions to the plan.

For certain overseas defined benefit retirement schemes that are not material to the Group, the costs of providing benefits are included within trade and other payables.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Property, plant and equipment

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the balance sheet at their cost less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Properties, plant and equipment in the course of construction for production or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation for these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Fixtures and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is charged so as to write off the cost or valuation of assets, other than land and properties under construction, over their estimated useful lives, using the straight line method, on the following bases:

Buildings	2.5 – 3%
Fixtures and equipment	10 – 30%
Motor vehicles	25%

Freehold land is not depreciated.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant lease.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the assets and is recognised in income.

Internally generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally generated intangible asset arising from the Group's product development is recognised only if all of the following criteria are demonstrable:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale,
- The intention to complete the intangible asset and use or sell it,

Notes to the consolidated financial statements continued

Group

1 Summary of significant accounting policies continued

- The ability to use the intangible asset or to sell it,

The way in which the intangible asset will generate probable future economic benefits,

The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset,

- The ability to measure reliably the expenditure attributable to the intangible asset during its development

Internally generated intangible assets are amortised on a straight line basis over their useful lives. Useful life is determined with reference to estimated product life in the industry in which the expenditure has been incurred. Useful life of the Group's development expenditure is currently between 3 and 10 years. Amortisation of development expenditure commences when development has been completed to management satisfaction and the related project is ready for its intended use. Where no internally generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

Patents and trademarks

Patents and trademarks are measured initially at purchase cost and are amortised on a straight line basis over their estimated useful lives. Patents and trademarks purchased as part of an acquisition, where there are expected future economic benefits, are initially measured at fair value and amortised over their estimated useful lives.

Impairment of tangible and intangible assets

The Group reviews annually the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans are classified as "other receivables" in the balance sheet.

Trade receivables

Trade receivables are recognised initially at fair value. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor and default or delinquency in payments when credit control procedures have been applied are indicators an impairment may be required. The amount of the provision is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement within administrative expenses. When a trade receivable is uncollectible it is written off to the provision for impairment. Subsequent recoveries of amounts previously written off are credited against administrative expenses in the income statement.

Cash and cash equivalents

'Cash and cash equivalents' includes cash in hand and deposits held with banks.

1 Summary of significant accounting policies continued

Bank borrowings

Interest bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis to the income statement using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Trade payables

Trade payables are not interest bearing and are stated at their nominal value.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derivative financial instruments and hedge accounting

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. The Group uses foreign exchange forward contracts to hedge these exposures. The Group does not use derivative financial instruments for speculative purposes.

The use of financial derivatives is governed by the Group's policies approved by the Board of Directors, which provides written principles on the use of financial derivatives.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise.

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not carried at fair value, with unrealised gains or losses reported in the income statement.

The gain or loss on the effective portion of the interest rate swap agreements, that are designated and qualify as cash flow hedges is recognised in equity under hedge accounting. The ineffective portion is recognised immediately in the income statement within interest payable and similar charges.

Provisions

Provisions for warranty costs are recognised at the date of sale of the relevant products, at the Directors' best estimate of the expenditure required to settle the Group's liability.

Provisions for restructuring costs are recognised when the Group has a detailed formal plan for the restructuring that has been communicated to affected parties.

Where the impact of discounting is material, the Group usually discounts at its weighted average cost of capital, unless some other rate is more appropriate in the circumstances.

Share based payments

The Group has applied the requirements of IFRS 2, 'Share based payment'. In accordance with the transitional provisions, IFRS 2 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as of 1 January 2005.

The Group issues equity settled, share based payments to certain employees. Equity settled, share based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity settled, share based payments is expensed on a straight line basis over the vesting period, based on the Group's estimate of shares that will eventually vest. The charge is then credited back to reserves.

Fair value is measured by use of a Black-Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The Group has adopted the requirements of IFRIC 11, 'Group and treasury share transactions', in these financial statements. This has no impact on the consolidated financial statements.

Exceptional items

In accordance with IAS 1, 'Presentation of financial statements', the Group presents certain items as "exceptional". These are material items which derive from events or transactions that fall within the Group's ordinary activities and which individually or, if of a similar type, in aggregate, need to be separately disclosed by virtue of their size, nature or incidence to enable a full understanding of the Group's financial performance.

Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns which are different from those of segments operating in other economic environments.

Notes to the consolidated financial statements continued

1 Summary of significant accounting policies continued

New standards, amendments and interpretations

(a) Standards, amendments and interpretations effective for the first time in the year ended 30 November 2009
IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction' This provides guidance on accounting for defined benefit pension schemes. This interpretation does not have any impact on the Group's financial statements, as the Group has a pension deficit and is not subject to any minimum funding requirements.

IFRIC 16, 'Hedges of a net investment in a foreign operation' This interpretation clarifies certain areas in respect of net investment hedging. This does not have a material impact on the Group or Company's financial statements.

- (b) Standards, amendments and interpretations effective in the year ended 30 November 2009 but not relevant
- Amendment to IAS 39, 'Financial instruments: Recognition and measurement', and IFRS 7, 'Financial instruments: Disclosures' on the 'reclassification of financial assets'
 - IFRIC 12, 'Service concession arrangements'
 - IFRIC 13, 'Customer loyalty programmes relating to IAS 18, Revenue'

(c) Standards, amendments and interpretations that are not yet effective and have not been adopted early
IFRS 8, 'Operating segments' This supersedes IAS 14, 'Segmental reporting', under which segments were identified and reported on a risk and return analysis. Under IFRS 8, segments are reported based on internal reporting, bringing segment reporting in line with the requirements of US standard FAS 131. Published by the IASB in November 2006, this Standard is effective for annual periods beginning on or after 1 January 2009. The impact on the Group is currently being assessed.

Amendment to IFRS 2, 'Share based payment' This clarifies what events constitute vesting conditions and also specifies that all cancellations, whether by the Group or by another party, should receive the same accounting treatment. This may have an impact on the Group financial statements and is currently being assessed. Published by the IASB on 17 January 2008, this amendment is effective for annual periods beginning on or after 1 January 2009.

IFRS 3 (Revised), 'Business combinations' The revision to this standard changes accounting for business combinations. While the acquisition method is still applied, there are significant changes to the treatment of contingent payments, transaction costs and the calculation of goodwill. Published by the IASB in January 2008, the standard is applicable to business combinations occurring in accounting periods beginning on or after 1 July 2009, with earlier application permitted. This could impact the Group financial statements in future if it makes acquisitions.

IAS 1 (Revised), 'Presentation of financial statements' This new standard will require 'non-owner changes in equity' to be presented separately from 'owner changes in equity'. Published by the IASB in September 2007, this standard is effective for accounting periods beginning on or after 1 January 2009.

IAS 23 (Revised), 'Borrowing costs' A result of the joint short-term convergence project with the FASB, this new standard requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The option of immediately expensing those borrowing costs has been removed. This will be relevant if the Group funds acquisitions with debt in the future. Published by the IASB in March 2007, this is effective for annual periods beginning on or after 1 January 2009.

Amendments to IFRS 2, Share-based payments group cash-settled transactions These amendments provide a clear basis to determine the classification of share based payment awards in both consolidated and separate financial statements. The amendments incorporate IFRIC 8 and IFRIC 11 into the standard, expand on the guidance given in IFRIC 11 to address plans that were not considered in the interpretation and provides some useful tidying up to the definitions section of IFRS 2. The amended definitions remove inconsistencies between Appendix A, defined terms, and the main body of the standard. The original wording was inconsistent regarding the treatment of equity instruments of other entities in the group. Published on 18 June 2009, the standard is effective for annual periods beginning on or after 1 January 2010.

Amendment to IFRS 7, 'Financial instruments: Disclosures' This amendment forms part of the IASB's response to the financial crisis and addresses the G20 conclusions aimed at improving transparency and enhancing accounting guidance. The amendment increases the disclosure requirements about fair value measurement and reinforces existing principles for disclosure about liquidity risk. The amendment introduces a three-level hierarchy for fair value measurement disclosure and requires some specific quantitative disclosures for financial instruments in the lowest level in the hierarchy. In addition, the amendment clarifies and enhances existing requirements for the disclosure of liquidity risk primarily requiring a separate liquidity risk analysis for derivative and non-derivative financial liabilities. Published in March 2009, this is effective for accounting periods starting on or after 1 January 2009 with no comparatives for the first year of application.

1 Summary of significant accounting policies continued

IFRS 9, 'Financial instruments on classification and measurement' This is the first part of a new standard on classification and measurement of financial assets that will replace IAS 39. IFRS 9 has two measurement categories: amortised cost and fair value. All equity instruments are measured at fair value. A debt instrument is at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is at fair value through profit or loss. Published in November 2009, and effective for accounting periods beginning on or after 1 January 2013, this is unlikely to have a significant impact on the Group.

(d) Standards, amendments and interpretations that are not yet effective and not currently relevant to the Group

- Amendment to IFRS 1, 'First time adoption of IFRS' and IAS 27 'Consolidated and separate financial statements'
- IAS 27 (Revised), 'Consolidated and separate financial statements'
- Amendment to IAS 32, 'Financial Instruments: Presentation', and IAS 1, 'Presentation of financial statements'
- Amendment to IAS 39, 'Financial Instruments: Recognition and measurement on eligible hedged items'
- Amendment to IFRS 1 on first time adoption of IFRS additional exemptions
- Amendments to IFRIC 9 and IAS 39 regarding embedded derivatives
- Amendment to IAS 32 on classification of rights issues
- Amendment to IAS 24, 'Related party disclosures'
- IFRIC 15, 'Agreements for construction of real estates'
- IFRIC 17, 'Distributions of non-cash assets to owners'
- IFRIC 18, 'Transfer of assets from customers'
- IFRIC 19, 'Extinguishing financial liabilities with equity instruments'

2 Segment information

Primary reporting format – business segments

At 30 November 2009, the Group is organised on a worldwide basis into two main business segments:

(1) Metals Filtration

(2) Microfiltration

Exceptional items of £0.7 million (2008: £nil) relate to restructuring and redundancy costs incurred in reorganising the Group's operations. £0.4 million was incurred in Metals Filtration and £0.3 million was incurred in Microfiltration.

The Microfiltration segment operating profit includes Seal Analytical Limited Group and Toolturn Engineering Limited.

Other Group operations are included in 'Other unallocated' and mainly comprise Group Corporate costs not directly allocatable, some unallocatable research and development, new business development and general financial services.

The segment results for the year ended 30 November 2009 are as follows:

30 November 2009	Note	Metals Filtration £ 000	Microfiltration £ 000	Other unallocated £ 000	Group £ 000
Revenue		18,696	36,529	–	55,225
Operating (loss)/profit before exceptional items		(1,210)	5,276	(1,301)	2,765
Exceptional items		(366)	(296)	–	(662)
Operating (loss)/profit		(1,576)	4,980	(1,301)	2,103
Finance costs	5	–	–	(1,047)	(1,047)
(Loss)/profit before income tax		(1,576)	4,980	(2,348)	1,056
Income tax expense		–	–	(367)	(367)
(Loss)/profit for the year		(1,576)	4,980	(2,715)	689

Notes to the consolidated financial statements continued

2 Segment information continued

The segment results for the year ended 30 November 2008 are as follows

30 November 2008	Note	Metals Filtration £ 000	Microfiltration £ 000	Other unallocated £ 000	Group £ 000
Revenue		22,498	32,341	–	54,839
Operating profit/(loss)		1,061	5,068	(1,313)	4,816
Finance costs	5	–	–	(658)	(658)
Profit/(loss) before income tax		1,061	5,068	(1,971)	4,158
Income tax expense		–	–	(1,288)	(1,288)
Profit/(loss) for the year		1,061	5,068	(3,259)	2,870

Other segment items included in the income statement are as follows

30 November 2009	Note	Metals Filtration £ 000	Microfiltration £ 000	Other unallocated £ 000	Group £ 000
Depreciation and amortisation (tangible and intangible assets)	9 10	972	1,005	14	1,991

30 November 2008	Note	Metals Filtration £ 000	Microfiltration £ 000	Other unallocated £ 000	Group £ 000
Depreciation and amortisation (tangible and intangible assets)	9 10	726	890	7	1,623

The segment assets and liabilities at 30 November 2009 and capital expenditure for the year then ended are as follows

30 November 2009	Note	Metals Filtration £ 000	Microfiltration £ 000	Other unallocated £ 000	Group £ 000
Segmental assets		25,153	38,646	2,671	66,470
Long term receivable	11	–	–	1,431	1,431
Cash and cash equivalents	15	–	–	3,384	3,384
Total assets		25,153	38,646	7,486	71,285
Segmental liabilities		(2,194)	(5,101)	(1,695)	(8,990)
Retirement obligations	20	–	–	(8,606)	(8,606)
Borrowings	17 18	–	(182)	(17,112)	(17,294)
Total liabilities		(2,194)	(5,283)	(27,413)	(34,890)
Capital expenditure (tangible and intangible assets)	9 10	770	404	21	1,195

2 Segment information continued

The segment assets and liabilities at 30 November 2008 and capital expenditure for the year then ended are as follows

30 November 2008	Note	Metals Filtration £ 000	Microfiltration £ 000	Other unallocated £ 000	Group £ 000
Segmental assets		29,737	39,781	755	70,273
Long term receivable	11	—	—	1,261	1,261
Cash and cash equivalents	15	—	—	2,501	2,501
Total assets		29,737	39,781	4,517	74,035
Segmental liabilities		(3,248)	(5,479)	(1,189)	(9,916)
Retirement obligations	20	—	—	(3,704)	(3,704)
Borrowings	17 18	—	(333)	(18,898)	(19,231)
Total liabilities		(3,248)	(5,812)	(23,791)	(32,851)
Capital expenditure (tangible and intangible assets)	9 10	1,931	1,489	36	3,456

Segment assets consist primarily of property, plant and equipment, intangible assets, inventories, receivables and operating cash

Segment liabilities comprise operating liabilities and include items such as taxation and corporate borrowings

Capital expenditure comprises additions to property, plant and equipment and intangible assets

Secondary reporting format – geographical segments

	2009		2008	
	By destination £ 000	By origin £ 000	By destination £ 000	By origin £ 000
Revenue				
United Kingdom	13,301	26,297	14,834	28,302
Continental Europe	8,047	6,860	9,071	1,799
Americas	25,456	21,762	26,166	24,738
Asia	7,026	306	3,765	—
Australasia	525	—	490	—
Africa	870	—	513	—
	55,225	55,225	54,839	54,839
Total assets	2009 £ 000		2008 £ 000	
United Kingdom	42,840		40,275	
Continental Europe	6,085		2,016	
Americas	21,885		31,704	
Asia	475		40	
	71,285		74,035	
Capital expenditure	2009 £ 000		2008 £ 000	
United Kingdom	381		1,479	
Continental Europe	17		12	
Americas	602		1,947	
Asia	195		18	
	1,195		3,456	

Notes to the consolidated financial statements continued

3 Profit before income tax

Revenue comprises income from the sale of goods and services during the year. The following items have been included in arriving at operating profit:

	2009 £ 000	2008 £ 000
Staff costs	18,560	17,779
Inventories – Cost of inventories recognised as an expense (included in cost of sales)	19,472	19,946
Net realised foreign exchange (gains)/losses	(306)	204
Depreciation on tangible fixed assets – owned	1,560	1,290
Depreciation on tangible fixed assets – leased	28	54
Amortisation of intangible fixed assets – owned	325	246
Amortisation of intangible fixed assets – leased	78	33
Loss on sale of tangible fixed assets	5	1
Other operating lease rentals payable		
– Plant and machinery	266	258
– Property	1,459	1,173
Repairs and maintenance on property, plant and equipment	827	1,139
Trade receivables impairment	163	83
Research and development expenditure	2,514	2,236
Services provided by the Group's auditors and network firms		
During the year the Group (including its overseas subsidiaries) obtained the following services from the Group's auditors at costs as detailed below:		
Fees payable to Company's auditors for audit of parent company and consolidated accounts	50	50
Fees payable to the Company's auditors and its associates for other services	–	1
The audit of Company's subsidiaries pursuant to legislation	74	79
Other services pursuant to legislation	16	16
Tax services	104	71
	244	217

In addition to the above services, the Group's auditors acted as auditors to the Porvair plc Pension and Death Benefit Plan. The appointment of auditors to the Group's pension plan and the fees paid in respect of those audits are agreed by the Trustees who act independently from the management of the Group. The aggregate fees paid to the Group's auditors for the audit services to the pension plan during the year was £13,000 (2008: £13,000).

4 Employee benefit expense

The average number of staff, including Executive Directors, employed during the year is detailed below:

	2009 Average	2008 Average
Number		
Metals Filtration	145	179
Microfiltration	359	376
Head office	7	7
	511	562
North American employees included above	155	198
	2009 £ 000	2008 £ 000
Staff costs		
Wages and salaries	15,328	14,643
Social security costs	2,527	2,129
Other pension costs	581	902
Share based payments	124	105
	18,560	17,779

Detailed disclosures of Directors' emoluments and interests in share options are shown in the Report of the Remuneration Committee on pages 22 to 25.

The Executive Directors comprise the key management and their remuneration is in the Report of the Remuneration Committee.

5 Finance income and costs

	Note	2009 £ 000	2008 £ 000
Interest payable on bank loans and overdrafts		759	846
Interest payable on finance leases		43	16
Interest payable on loan notes		8	12
Unwinding of discount on provisions	21	5	5
Pension scheme finance expense/(income)		300	(100)
Interest receivable – long term receivable		(44)	(111)
Interest receivable – other		(24)	(10)
		1,047	658

6 Income tax expense

	Note	2009 £ 000	2008 £ 000
Current tax			
UK Corporation tax		398	744
Adjustment in respect of prior periods		33	10
Overseas tax		514	27
Deferred tax			
Origination and reversal of temporary differences – UK	19	(189)	535
– Overseas	19	(389)	–
Adjustment in respect of prior periods	19	–	(28)
		367	1,288

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the UK tax rate applicable to profits of the consolidated companies as follows

	2009 £ 000	2008 £ 000
Profit before tax	1,056	4,158
Tax at the UK Corporation tax rate of 28% (2008 28.67%)	296	1,192
Tax adjustments in respect of previous periods	33	10
Deferred tax adjustments in respect of previous periods	–	(28)
Deferred tax on share based payments within equity	(35)	(30)
Tax effect of expenses not deductible in determining taxable profit	26	138
Effect of different tax rates of subsidiaries operating in other jurisdictions	47	6
Tax charge	367	1,288

In addition to the amount charged to the income statement, the following tax was (credited)/charged direct to equity

	2009 £ 000	2008 £ 000
Deferred tax on share based payments	10	55
Deferred tax on actuarial (losses) on the pension fund	(1,372)	(548)
	(1,362)	(493)

During the year the change in UK Corporation Tax rates, which were effective from 1 April 2008, reduced the UK Corporation tax rate to 28.00% (2008 28.67%)

Notes to the consolidated financial statements continued

7 Earnings per share

	2009			2008		
	Earnings £ 000	Weighted average number of shares	Per share amount (pence)	Earnings £ 000	Weighted average number of shares	Per share amount (pence)
Basic EPS						
Earnings before exceptional items	1,141		2 7	2,870		7 0
Exceptional items	(452)		(1 1)	–		–
Earnings attributable to ordinary shareholders	689	42,073,640	1 6	2,870	41,041,288	7 0
Effect of dilutive securities						
Earnings before exceptional items	1,141		2 7			7 0
Exceptional items	(452)		(1 1)			
Share options	–	–	–	–	17,817	–
Diluted EPS	689	42,073,640	1 6	2,870	41,059,105	7 0

8 Dividends per share

	2009		2008	
	Per share	£ 000	Per share	£ 000
Final dividend paid	1 25p	526	1 20p	488
Interim dividend paid	1 00p	421	1 00p	421
	2 25p	947	2 20p	909

The Directors recommend a final dividend of 1 25p for the financial year ended 30 November 2009 to be paid on 11 June 2010

9 Property, plant and equipment

	Freehold land and buildings £ 000	Assets in course of construction £ 000	Plant machinery and equipment £ 000	Total £ 000
Cost				
At 1 December 2007	3,148	699	16,740	20,587
Reclassification	474	(1,190)	716	–
Additions	293	683	1,652	2,628
Acquisitions	–	–	553	553
Disposals	(371)	–	(906)	(1,277)
Exchange differences	622	30	2,943	3,595
At 30 November 2008	4,166	222	21,698	26,086
Depreciation				
At 1 December 2007	(837)	–	(13,028)	(13,865)
Charge for year	(178)	–	(1,166)	(1,344)
Reclassification	(49)	–	49	–
Disposals	371	–	898	1,269
Exchange differences	(233)	–	(2,043)	(2,276)
At 30 November 2008	(926)	–	(15,290)	(16,216)
Net book value at 30 November 2008	3,240	222	6,408	9,870

9 Property, plant and equipment continued

	Freehold land and buildings £ 000	Assets in course of construction £ 000	Plant machinery and equipment £ 000	Total £ 000
Cost				
At 1 December 2008	4,166	222	21,698	26,086
Reclassification	–	(456)	456	–
Additions	1	369	558	928
Disposals	–	–	(360)	(360)
Exchange differences	(160)	(9)	(803)	(972)
At 30 November 2009	4,007	126	21,549	25,682
Depreciation				
At 1 December 2008	(926)	–	(15,290)	(16,216)
Charge for year	(212)	–	(1,376)	(1,588)
Disposals	–	–	356	356
Exchange differences	67	–	571	638
At 30 November 2009	(1,071)	–	(15,739)	(16,810)
Net book value at 30 November 2009	2,936	126	5,810	8,872

The net book value of plant, machinery and equipment includes £86,000 (2008 £193,000) held under finance leases (note 18)

10 Goodwill and other intangible assets

	Goodwill £ 000	Development expenditure capitalised £ 000	Software capitalised £ 000	Trademarks £ 000	Total £ 000
At 1 December 2007					
Cost	44,933	561	398	–	45,892
Accumulated amortisation and impairment	(18,421)	(68)	(265)	–	(18,754)
Net book amount	26,512	493	133	–	27,138
Year ended 30 November 2008					
Opening net book amount	26,512	493	133	–	27,138
Additions	–	763	65	–	828
Acquisitions	5,673	–	487	32	6,192
Amortisation charges	–	(168)	(108)	(3)	(279)
Exchange differences	4,416	302	7	–	4,725
Closing net book amount	36,601	1,390	584	29	38,604
At 30 November 2008					
Cost	55,171	1,662	957	32	57,822
Accumulated amortisation and impairment	(18,570)	(272)	(373)	(3)	(19,218)
Net book amount	36,601	1,390	584	29	38,604
Year ended 30 November 2009					
Opening net book amount	36,601	1,390	584	29	38,604
Additions	–	229	38	–	267
Disposals	–	–	(1)	–	(1)
Amortisation charges	–	(196)	(200)	(7)	(403)
Exchange differences	(758)	(92)	13	4	(833)
Closing net book amount	35,843	1,331	434	26	37,634
At 30 November 2009					
Cost	54,464	1,820	1,006	36	57,326
Accumulated amortisation and impairment	(18,621)	(489)	(572)	(10)	(19,692)
Net book amount	35,843	1,331	434	26	37,634

Notes to the consolidated financial statements continued

10 Goodwill and other intangible assets continued

Internally generated intangible assets arising from the Group's product development are recognised only if all conditions are met as described in the Summary of significant accounting policies

Amortisation of £403,000 (2008 £279,000) is included in 'cost of sales' in the income statement

The net book value of software capitalised includes £186,000 (2008 £264,000) held under finance leases (note 18)

Impairment tests for goodwill

Goodwill is allocated to the Group's cash generating units (CGUs) identified according to business segment

A segment level summary of the goodwill allocation is presented below

2009			2008		
Metals Filtration £'000	Microfiltration £'000	Total £'000	Metals Filtration £'000	Microfiltration £'000	Total £'000
14,295	21,548	35,843	15,177	21,424	36,601

The recoverable amount of the goodwill is based on value-in-use calculations. The calculations use cash flow projections based on financial budgets approved by management covering a three-year period. Cash flows beyond the three-year period are extrapolated using the estimated growth rates stated below

Key assumptions used for value-in-use calculations	Metals Filtration		Microfiltration	
	US	US	UK	Germany
Budgeted gross margin	33%	33%	33%	33%
Weighted average growth rate used to extrapolate cash flows beyond the budget period	3%	3%	3%	3%
Cost of capital	9%	9%	9%	9%

These assumptions have been used for the analysis of each operation within the business segment. Management determined budgeted gross margin based on past performance and its expectations for the market development. The weighted average growth rates used are consistent with past experience and market expectations. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

If the revised estimated profit before tax at 30 November 2009 was 10% lower than management's estimates and the pre-tax discount rate applied to the cash flows was 10% higher than management's estimate, the Group would still not require any impairment against goodwill.

11 Other receivable

	2009 £'000	2008 £'000
Long term receivable	1,431	1,261
	2009 £'000	2008 £'000
At 1 December	1,261	1,056
Exchange difference	141	180
Fair value restatement	29	25
At 30 November	1,431	1,261

The fair value of this long term receivable is based on cash flows discounted using a rate based on a weighted average cost of capital rate of 9% (2008 9%)

The earliest contracted settlement date for the long term receivable is 31 December 2010

12 Derivative financial instruments

	2009		2008	
	Assets £ 000	Liabilities £ 000	Assets £ 000	Liabilities £ 000
Forward foreign exchange contracts – cash flow hedges – current	100	–	–	(283)
Interest rate swap agreements – cash flow hedges – current	–	(245)	–	–
	100	(245)	–	(283)

Under IFRS the fair value of all forward foreign exchange contracts and currency options is recognised on the balance sheet with the corresponding entry included within administrative expenses. As a result, from 1 December 2005, the Group recognises all forward foreign exchange contracts and currency options on the balance sheet at fair value using external market data.

Trading derivatives are classified as a current asset or liability. The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and, as a current asset or liability, if the maturity of the hedged item is less than 12 months.

The notional principal amount of the outstanding US dollar forward foreign exchange contracts at 30 November 2009 is £1.5 million (2008: £1.2 million) which mature in January 2010, February 2010 and March 2010. The notional principal amount of the outstanding Euro forward exchange contract at 30 November 2009 is £0.3 million (2008: £0.4 million) which matures in February 2010.

The Group has entered into interest rate swap agreements for US\$10 million of its US borrowings and £3 million of its UK borrowings during the year. The Group has accounted for these swap agreements using hedge accounting with gains or losses being charged directly to equity.

13 Inventories

	2009 £ 000	2008 £ 000
Raw materials	2,675	3,270
Work in progress	2,751	2,936
Finished goods	2,909	3,764
	8,335	9,970

The cost of inventories recognised as an expense and included in 'cost of sales' amounted to £19,472,000 (2008: £19,946,000). The Group has recognised a provision of £656,000 (2008: £225,000) for the write-down of its inventories during the year ended 30 November 2009. The Group has utilised provisions of £228,000 (2008: £107,000) during the year ended 30 November 2009.

Notes to the consolidated financial statements continued

14 Trade and other receivables

	2009 £ 000	2008 £ 000
Trade receivables	8,245	10,024
Less provision for impairment	(235)	(244)
Trade receivables – net	8,010	9,780
Other debtors	649	424
Prepayments	206	874
	8,865	11,078

There is no difference between the fair value of trade and other receivables and their carrying value

Credit risk in relation to trade receivables

The Group has a diverse customer base both geographically and in the number of industries in which it operates. There is credit risk associated with a decline in a particular industry or geographic region. To offset this risk the Group has implemented policies that require appropriate credit checks to be performed on significant potential customers before sales are made. Customer orders are checked against pre-set criteria before acceptance and credit control procedures are applied. Letters of credit and payments in advance are obtained from customers as appropriate.

The Group does not hold security over its receivables so was exposed to credit risk in respect of the net trade receivables balance of £8,010,000 (2008: £9,780,000). Management believe the credit quality of trade receivables which are within the Group's typical payment terms of between 30 and 90 days are good, with £1,392,000 (2008: £2,035,000) being past due but not impaired at the year end, of which £837,000 (2008: £1,311,000) are less than 30 days overdue.

	2009			2008		
	Not yet due £ 000	Past due not impaired £ 000	Impaired £ 000	Not yet due £ 000	Past due not impaired £ 000	Impaired £ 000
Trade receivables						
Not yet due	6,603	–	–	7,666	–	–
0–3 months overdue	–	1,392	23	–	2,035	25
3–6 months overdue	–	15	71	–	79	17
>6 months overdue	–	–	141	–	–	202
Total	6,603	1,407	235	7,666	2,114	244

The Group has recognised a provision of £163,000 (2008: £83,000) for the impairment of its trade receivables during the year ended 30 November 2009. The Group has used provisions for impaired receivables of £172,000 (2008: £44,000) during the year ended 30 November 2009. The Group recognised a £146,000 provision for impairment of its trade receivables on acquisition of the Seal Analytical group in 2008. The creation and usage of provisions for impairment of receivables has been included in 'administrative costs' in the income statement.

Foreign exchange risk in relation to trade receivables is disclosed in note 26.

15 Cash and cash equivalents

	2009 £ 000	2008 £ 000
Cash at bank and in hand	3,384	2,501

The Group's cash balances are denominated in the following currencies:

	2009 £ 000	2008 £ 000
Pounds Sterling	280	106
US dollar	2,195	1,332
Euro	831	987
Other	78	76
	3,384	2,501

16 Trade and other payables

	2009 £ 000	2008 £ 000
Amounts falling due within one year		
Trade payables	4,846	5,677
Taxation and social security	633	859
Accruals and deferred income	2,466	2,665
	7,945	9,201

17 Borrowings

	2009 £ 000	2008 £ 000
Secured multi-currency revolving credit facility of US\$25 million (2008 US\$25 million) maturing in July 2011 with interest at 2.95% (2008 1.825%) above US dollar LIBOR	13,588	14,919
Secured five year amortising debt facility of £1.875 million (2008 £2.375 million) expiring in July 2013 with interest at 3.25% (2008 1.825%) above LIBOR	1,863	2,359
Secured revolving credit facility of Euro €1.6 million (2008 €1.6 million) maturing January 2011 with interest at 2.95% (2008 1.825%) above EURIBOR	1,461	1,320
Unsecured loan notes relating to the acquisition of Toolturn Engineering Limited (note 25)	200	300
	17,112	18,898

Bank and other loans of the Group are repayable as follows

	2009 £ 000	2008 £ 000
Within one year	582	582
One to two years	15,660	582
Two to five years	870	17,734
	17,112	18,898

The loans are shown net of issue costs of £67,000 (2008 £82,000) which are being amortised over the life of the loan agreement. On 3 June 2009, the Group renegotiated its banking arrangements and covenants resulting in an increase in margin of 1.125% on revolving credit facilities and 1.425% on the term loan facility.

At 30 November 2009 the Group had £1,646,000 (2008 £1,310,000) of unutilised borrowing facilities under the existing bank facility and a £1,500,000 (2008 £1,500,000) overdraft facility.

The carrying values of bank borrowings approximate their fair value.

The multi-currency, Euro revolving credit facilities and amortising debt facility are secured by fixed and floating charges against the Group's assets.

The unsecured loan notes are payable in equal instalments over 3 years to March 2011. Interest is payable at National Westminster Bank plc base rate (note 25).

The Group's borrowings are denominated in the following currencies:

	2009 £ 000	2008 £ 000
Pounds Sterling	6,508	7,593
US dollar	9,140	9,775
Euro	1,464	1,530
	17,112	18,898

Notes to the consolidated financial statements continued

18 Finance lease liabilities

	2009 £ 000	2008 £ 000
Gross lease liabilities		
Within one year	156	195
Later than one year and less than five years	46	202
	202	397
Future interest	(20)	(64)
Net lease liabilities	182	333
Net lease liabilities are repayable as follows		
Within one year	142	164
Between two and five years	40	169
Total over one year	40	169

The leases are secured on the assets to which they relate

19 Deferred tax asset

The Group movement on the deferred income tax account is as follows

	Note	2009 £ 000	2008 £ 000
At 1 December		751	753
Exchange differences		(27)	66
Income statement credit/(charge)	6	578	(507)
Tax credited to equity		1,362	493
Acquisitions		–	(54)
At 30 November		2,664	751

The movement of deferred tax assets and (liabilities) during the year is as follows

	Accelerated capital allowances £ 000	Other short term timing differences £ 000	Fair value gains £ 000	R & D capitalised £ 000	Share based payments £ 000	Retirement obligations £ 000	Total £ 000
At 1 December 2007	(564)	942	26	(166)	25	490	753
(Charged)/credited to income statement	(223)	(89)	(7)	(206)	30	(12)	(507)
(Charged)/credited to equity	–	–	–	–	(55)	548	493
Acquisitions	(54)	–	–	–	–	–	(54)
Exchange differences	(176)	285	–	(43)	–	–	66
At 30 November 2008	(1,017)	1,138	19	(415)	–	1,026	751
Credited/(charged) to income statement	82	586	(8)	(121)	35	4	578
(Charged)/credited to equity	–	–	–	–	(10)	1,372	1,362
Exchange differences	43	(99)	–	29	–	–	(27)
At 30 November 2009	(892)	1,625	11	(507)	25	2,402	2,664

There were £829,000 (2008 £530,000) of unrecognised deferred tax assets at 30 November 2009 relating to unutilised tax losses, primarily in the US. The tax losses in relation to losses incurred in the US have been recognised to the extent that they are expected to be relieved against future profits.

There were no other unprovided deferred tax amounts at 30 November 2009 (2008 £Nil).

20 Retirement benefit obligations

	2009 £ 000	2008 £ 000
Defined benefit scheme deficit	8,453	3,540
Additional pension commitments	153	164
	8,606	3,704

The additional pension commitments arise out of contractual commitments to certain employees which have fallen outside the scope of the defined benefit plan deficit. These liabilities will crystallise between two and thirteen years.

a) Defined contribution schemes

For its US employees, the Group operates a defined contribution pension plan (the 'Pension Plan') covering all eligible full time employees. The Group contributes 3% of each participant's base salary each year to the Pension Plan. In 2009 this amounted to £144,000 (2008: £154,000). In 2009 the Group also made payments of £15,000 (2008: £157,000) to designated US 401k schemes on behalf of its employees.

In the UK, after the closure of the defined benefit plan to new members, the Group introduced a stakeholder plan to be offered to all new employees. Total employer contributions in the UK to defined contribution schemes were £241,000 (2008: £263,000).

b) Defined benefit plan

The Group operates a defined benefit pension scheme covering a number of employees in the UK. The pension scheme is financed through a separate trust fund administered by Trustees with an independent Chairman. The Porvair plc Pension & Death Benefit Plan (the 'Plan') was closed to new entrants in October 2001.

Formal valuations of the Plan by a professionally qualified actuary are carried out at least every three years using the projected unit method. Under this method the current service cost will increase in relation to the salaries of the members in future years as those members approach retirement. The latest full actuarial valuation was at 1 April 2006. An actuarial valuation at 1 April 2009 is currently being prepared.

The principal actuarial assumptions adopted in the 2006 valuation were	2006 valuation assumptions %	2003 valuation assumptions %
Past service investment return		
Pre-retirement	6.75	8.00
Post-retirement	4.75	8.00
Future service investment return		
Pre-retirement	7.00	8.00
Post-retirement	5.00	8.00
Salary increases	4.00	5.00

The actuarial value of the assets on the funding basis was sufficient to cover 92% (previous valuation in 2003: 83%) of the benefits that had accrued to members after allowing for expected increases in pensionable remuneration, and the current funding deficiency amounted to £1.8 million.

The UK pension charge for the year was £200,000 (2008: £300,000), the funding via employer contributions was £487,000 (2008: £492,000).

The valuation of the deficit in the balance sheet is based on the most recent actuarial valuation of the Plan as updated by the Plan actuaries to take account of the market value of the assets and the present value of the liabilities of the Plan at 30 November 2009.

Balance sheet

The financial assumptions used to calculate Plan liabilities under IAS 19

	2009	2008	2007
Valuation method	Projected Unit	Projected Unit	Projected Unit
Discount Rate	5.5%	6.8%	5.9%
Inflation Rate	3.3%	3.2%	3.2%
General salary increases	3.3%	4.2%	4.2%
Rate of increase of pensions in payment	3.3%	3.2%	3.2%
Rate of increase for deferred pensioners	3.3%	3.2%	3.2%

Notes to the consolidated financial statements continued

20 Retirement benefit obligations continued

Pre and post retirement mortality

The SAPS base mortality tables have been used, with a 110% multiplier allowing for future improvements of 1.5% per annum for 10 years then 1% per annum thereafter. The average life expectancy in years of a pensioner retiring at age 65 on the balance sheet date is 19.7 (2008: 18.2) for men and 22.6 (2008: 21.3) for women.

The assets in the Plan with their expected rates of return are:

	Long term expected rate of return at 30 November 2009	Value at 30 November 2009 £ 000	Long term expected rate of return at 30 November 2008	Value at 30 November 2008 £ 000	Long term expected rate of return at 30 November 2007	Value at 30 November 2007 £ 000	Long term expected rate of return at 30 November 2006	Value at 30 November 2006 £ 000	Long term expected rate of return at 30 November 2005	Value at 30 November 2005 £ 000
Equities	8.1%	9,800	8.4%	8,100	8.0%	12,200	7.8%	12,100	8.0%	11,300
Bonds	5.5%	7,500	4.4%	6,360	4.6%	6,800	4.4%	6,600	4.2%	6,200
Other	4.0%	47	4.4%	—	4.6%	68	4.3%	268	4.1%	131
Fair value of plan assets		17,347		14,460		19,068		18,968		17,631
Present value of funded obligations		(25,800)		(18,000)		(20,700)		(23,000)		(24,400)
Deficit in the Plan (excluding deferred tax)		(8,453)		(3,540)		(1,632)		(4,032)		(6,769)

The analysis of movement in the deficit in the Plan for the year is as follows:

	2009 £ 000	2008 £ 000	2007 £ 000
Deficit at 1 December	(3,540)	(1,632)	(4,032)
Contributions paid	487	492	281
Current service cost	(200)	(300)	(300)
Past service cost	—	—	(81)
Other finance (expense)/income	(300)	100	100
Actuarial (losses)/gains	(4,900)	(2,200)	2,400
Deficit at 30 November	(8,453)	(3,540)	(1,632)

The reconciliation of plan assets during the year is as follows:

	2009 £ 000	2008 £ 000
Market value at start of year	14,460	19,068
Benefit payments	(1,300)	(1,100)
Company contributions	487	492
Member contributions	100	100
Expected return on assets	900	1,300
Gain/(loss) on assets	2,700	(5,400)
Plan assets at the end of the year	17,347	14,460

20 Retirement benefit obligations continued

	2009 £ 000	2008 £ 000
Income statement		
Analysis of amounts chargeable to operating profit		
Current service cost	(200)	(300)
Amount chargeable to operating profit	(200)	(300)
Analysis of amounts (charged)/credited to other finance income		
Interest on Plan liabilities	(1,200)	(1,200)
Expected return on assets in the Plan	900	1,300
Net amount (charged)/credited to other finance income	(300)	100
Total chargeable to the income statement before deduction of tax	(500)	(200)
Other items		
Analysis of amounts recognised in the Statement of recognised income and expense		
Gains/(losses) on assets	2,700	(5,400)
(Losses)/gains on change in financial and demographic assumptions	(7,600)	3,200
Total actuarial (loss) recognised in the Statement of recognised income and expenditure	(4,900)	(2,200)
Cumulative actuarial (loss)/profit recognised in the Statement of recognised income and expenditure	(2,100)	2,800

21 Provisions for other liabilities and charges

	2009 £'000	2008 £ 000
At 1 December	60	133
– Used during year	–	(78)
Charged to consolidated income statement		
– Unwinding of discount	5	5
At 30 November	65	60
The provisions arise from a discounted dilapidations provision for leased property which is expected to reverse in 2027		
Analysis of total provisions	2009 £'000	2008 £ 000
Non-current	65	60
	65	60

22 Share capital and premium

	Number of shares	Ordinary shares £ 000	Share premium account £ 000	Total £ 000
At 1 December 2007	40,698,506	814	32,765	33,579
Issue of shares as part-consideration for the Seal Analytical acquisition	1,375,134	27	1,259	1,286
At 30 November 2008 and 30 November 2009	42,073,640	841	34,024	34,865

The authorised number of ordinary shares is 75 million shares (2008 75 million shares) with a par value of 2p per share (2008 2p per share) All issued shares are fully paid

Notes to the consolidated financial statements continued

22 Share capital and premium continued

Share options

Share options are granted to Directors and to selected employees. The exercise price of the granted options is equal to the mid-market price of the shares on the date of grant.

These equity settled, share based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity settled, share based payments is expensed to the income statement on a straight line basis over the vesting period, based on the Group's estimate of shares that will eventually vest. The charge is then credited back to reserves.

Fair value is measured by use of a Black-Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

Details of the share options are

	Year of grant	Exercise period	Subscription price (pence)	2009 Number of shares	2008 Number of shares
1997 (Revenue unapproved)	2002	2005 – 2009	126.50	–	85,000
1997 (Revenue approved)	2003	2006 – 2013	111.00	5,000	5,000
1997 (Revenue unapproved)	2003	2006 – 2010	111.00	85,000	85,000
1997 (Revenue unapproved)	2003	2006 – 2010	160.00	10,000	10,000
1997 (Revenue approved)	2004	2007 – 2014	114.00	30,000	30,000
1997 (Revenue unapproved)	2004	2007 – 2011	114.00	20,000	20,000
1997 (Revenue unapproved)	2004	2007 – 2011	101.50	60,000	60,000
1997 (Revenue unapproved)	2004	2007 – 2011	103.50	30,000	30,000
1997 (Revenue unapproved)	2005	2008 – 2012	98.00	274,000	274,000
2005 EMI (Revenue approved)	2006	2009 – 2013	151.00	20,000	40,000
2005 EMI (Revenue approved)	2006	2009 – 2013	131.00	172,660	182,660
2005 (Revenue unapproved)	2006	2009 – 2013	131.00	147,340	147,340
2005 EMI (Revenue approved)	2007	2010 – 2014	138.00	60,000	60,000
2005 (Revenue unapproved)	2007	2010 – 2014	138.00	150,000	150,000
2007 Save As You Earn Scheme	2007	2010 – 2011	108.00	56,875	94,500
2005 EMI (Revenue approved)	2008	2011 – 2015	110.00	15,000	15,000
2005 (Revenue unapproved)	2008	2011 – 2015	114.00	150,000	150,000
2008 Long term incentive scheme	2008	2011 – 2018	2.00	767,373	767,373
2008 Save as You Earn Scheme	2008	2011 – 2012	80.00	369,420	470,470
2005 (Revenue unapproved)	2009	2012 – 2016	69.50	350,000	–
At 30 November				2,772,668	2,676,343

Movements in share options during the year were

	2009 Weighted average exercise price (pence)	2008 Weighted average exercise price (pence)	2009 Number of shares	2008 Number of shares
At 1 December	78.64	134.81	2,676,343	1,824,975
Options granted	69.50	120.81	350,000	1,402,843
Options expired	126.50	259.00	(85,000)	(130,000)
Options forfeited	97.79	115.12	(168,675)	(421,475)
At 30 November	74.86	78.64	2,772,668	2,676,343
Options exercisable at 30 November	115.08	106.99	854,000	599,000
Options not exercisable at 30 November	56.17	69.73	1,918,668	2,077,343
Total	74.86	78.64	2,772,668	2,676,343

22 Share capital and premium continued

Options expired during the year were	Scheme	Subscription price pence	2009 Number of shares	2008 Number of shares
	1997	259 00	–	130,000
	1997	126 50	85,000	–
At 30 November			85,000	130,000

Options forfeited during the year were

	2005	151 00	20,000	–
	2005	131 00	10,000	–
	2005	138 00	–	72,463
	2005	138 00	–	27,537
	SAYE	108 00	37,625	321,475
	SAYE	80 00	101,050	–
At 30 November			168,675	421,475

Share based payment

30 November 2009

Grant date	28/1/03 Porvair 1997 share option	25/6/03 Porvair 1997 share option	29/6/04 Porvair 1997 share option	16/9/04 Porvair 1997 share option	25/11/04 Porvair 1997 share option	25/1/05 Porvair 1997 share option	27/1/06 Porvair 2005 share option	07/3/06 Porvair 2005 share option
Scheme								
Share price at grant date	111 00p	160 00p	114 00p	101 00p	103 50p	98 00p	131 00p	151 00p
Exercise price	111 00p	160 00p	114 00p	101 00p	103 50p	98 00p	131 00p	151 00p
Shares under option	116,000	90,000	65,000	60,000	30,000	274,000	330,000	40,000
Vesting period (years)	3	3	3	3	3	3	3	3
Expected volatility	30%	30%	30%	30%	30%	30%	30%	30%
Expected life (years)	3	3	3	3	3	3	3	3
Risk free rate	4 00%	3 75%	4 50%	4 75%	4 75%	4 75%	4 50%	4 50%
Dividend yield	3 06%	2 13%	1 75%	1 97%	1 93%	2 09%	1 60%	1 39%
Fair value per option (£)	0 21907	0 33726	0 25840	0 22892	0 23421	0 21883	0 30066	0 35263

Grant date	28/2/07 Porvair 2005 share option	17/8/07 Share save 2007	01/2/08 Porvair 2005 share option	10/3/08 Porvair 2005 share option	10/4/08 Porvair LTSP	01/10/08 Share save 2008	30/1/09 Porvair 2005 share option
Scheme							
Share price at grant date	138 00p	135 00p	110 00p	114 00p	108 50p	99 50p	69 5p
Exercise price	138 00p	108 00p	110 00p	114 00p	2 00p	80 00p	69 5p
Shares under option	310,000	415,975	15,000	150,000	767,373	470,470	350,000
Vesting period (years)	3	3	3	3	3	3	3
Expected volatility	30%	30%	30%	30%	30%	50%	50%
Expected life (years)	3	3	3	3	3	3	3
Risk free rate	5 25%	5 75%	5 25%	5 25%	5 25%	5 00%	0 50%
Dividend yield	1 56%	1 59%	2 00%	2 00%	1 94%	2 10%	1 80%
Fair value per option (£)	0 33045	0 46118	0 25092	0 26332	2 71828	0 41019	0 21209

Share based payments

	2009 £ 000	2008 £ 000
Charge for the year	124	105

The expected volatility is based on historic share price movements. The Directors anticipate that in the current economic conditions it is possible the performance criteria in relation to certain share options may not be met.

Notes to the consolidated financial statements continued

23 Other reserves

	2009		2008	
	Cumulative translation reserve £ 000	Retained earnings £ 000	Cumulative translation reserve £ 000	Retained earnings £ 000
At 1 December	1,295	5,024	(3,824)	4,665
Profit for the year attributable to shareholders	–	689	–	2,870
Direct to equity				
Dividends paid	–	(947)	–	(909)
Actuarial losses net of tax	–	(3,528)	–	(1,652)
Share based payments net of tax	–	114	–	50
Interest rate swap cash flow hedge	–	(245)	–	–
Exchange differences	(872)	–	5,119	–
At 30 November	423	1,107	1,295	5,024

24 Cash generated from operations

	2009 £ 000	2008 £ 000
Operating profit	2,103	4,816
Adjustments for		
– Non cash pension charge	500	100
– Share based payments	124	105
– Depreciation and amortisation	1,991	1,623
– Loss on disposal of property, plant and equipment	5	1
Operating cash flows before movement in working capital	4,723	6,645
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation)		
– Decrease/(increase) in inventories	1,522	(1,176)
– Decrease in trade and other receivables	1,982	289
– (Decrease) in payables	(2,211)	(1,443)
– (Decrease) in provisions	–	(78)
Decrease/(increase) in working capital	1,293	(2,408)
Cash generated from operations	6,016	4,237

25 Acquisitions

There were no acquisitions in the current financial year

Acquisition of Toolturn Engineering Limited in 2008

On 28 March 2008, The Group purchased 100% of the issued share capital of CM7 Limited and its wholly owned subsidiary Toolturn Engineering Limited for a total consideration of £990,000. The acquired business primarily sells to businesses within the Microfiltration segment and these transactions are eliminated on consolidation. The company contributed external revenues of £232,000 and a minimal impact to the Group profit for the period 29 March 2008 to 30 November 2008. If the acquisition had occurred on 1 December 2007, the company would have contributed external revenues of £332,000 and a minimal impact to the Group profit for the year ended 30 November 2008.

	Note	£ 000
Purchase consideration		
Cash paid		653
Deferred consideration		300
Direct costs relating to the acquisition		37
Total purchase consideration		990
Fair value of net assets acquired		(396)
Goodwill	10	594

The Goodwill is attributable to the workforce of the acquired business and synergies expected to arise after acquisition within the Microfiltration segment.

The deferred consideration is unsecured loan notes paid in equal instalments over a 3 year period expiring in March 2011. The unsecured loan notes are interest bearing at National Westminster Bank plc base rate.

The total adjustments required to the book values of the assets and liabilities acquired in order to present the net assets at fair value in accordance with Group accounting principles were £4,000. The purchase has been accounted for as an acquisition.

The assets and liabilities as of 28 March 2008 arising from the acquisition are as follows:

	Note	Fair value £ 000	Acquiree's carrying amount £ 000
Property, plant and equipment	9	444	444
Inventories		72	81
Trade and other receivables		373	365
Cash and cash equivalents		(106)	(106)
Trade and other payables		(195)	(191)
Deferred tax liability		(54)	(54)
Finance leases		(138)	(139)
Net assets acquired		396	400
Purchase consideration settled in cash		690	
Cash and cash equivalents in assets acquired		106	
Cash outflow on acquisition		796	

Notes to the consolidated financial statements continued

25 Acquisitions continued

Acquisition of Seal Analytical Limited Group in 2008

On 9 July 2008, the Group purchased 100% of the issued share capital of Seal Analytical Limited. The total consideration was £3,934,000, on acquisition external loans included in the net liabilities acquired totalling £2,056,000 were paid. The group contributed external revenues of £3,198,000 and a net profit of £130,000 to the Group for the period 9 July 2008 to 30 November 2008. If the acquisition had occurred on 1 December 2007, the group would have contributed external revenues of £7,957,000 and a net profit of £293,000 for the year ended 30 November 2008.

	Note	£ 000
Purchase consideration		
Cash paid		2,274
Fair value of shares issued	22	1,286
Direct costs relating to the acquisition		374
Total purchase consideration		3,934
Fair value of net liabilities acquired		1,145
Goodwill	10	5,079

The fair value of shares issued was based on the published average mid-market price of a buyer share for the five business days prior to acquisition.

The Goodwill is attributable to the workforce of the acquired business, the synergies and potential for development expected to arise after the Group's acquisition.

The total adjustments required to the book values of the assets and liabilities acquired in order to present the net assets at fair value in accordance with Group accounting principles were £495,000. The purchase has been accounted for as an acquisition.

	Note	Fair value £ 000	Acquiree's carrying amount £ 000
Property, plant and equipment	9	109	109
Software	10	487	348
Trademarks (included in intangibles)	10	32	—
Inventories		943	909
Trade and other receivables		1,767	1,482
Cash and cash equivalents		379	379
Trade and other payables		(2,536)	(2,541)
Borrowings		(2,116)	(2,116)
Finance leases		(272)	(272)
Corporation tax debtor		62	62
Net liabilities acquired		(1,145)	(1,640)
Purchase consideration settled in cash		2,648	
Cash and cash equivalents in subsidiary acquired		(379)	
Repayment of acquired borrowings		2,056	
Cash outflow on acquisition		4,325	

26 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme is disclosed on pages 12 and 13 of the Finance Director's review and page 20 of the Directors' report. The Group uses derivative financial instruments to hedge certain risk exposures.

Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily in respect of the US dollar and the Euro. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

(i) US dollar

The Group has investments in its US based subsidiaries denominated in US dollars. Currency exposure arising from the net assets of the Group's US operations is managed through borrowings denominated in relevant foreign currencies.

The UK operations generate significant US revenues and forward contracts are used to reduce the impact of movements in the US dollar exchange rate.

The Group has the following outstanding US dollar forward contracts:

	2009 \$ 000	2008 \$ 000
Outstanding forward contracts	2,500	1,800

The Group has the following current assets and liabilities denominated in US dollars:

	2009 \$ 000	2008 \$ 000
Trade receivables denominated in US dollars	5,610	8,519
Other receivables denominated in US dollars	3,858	6,064
Cash balances denominated in US dollars	3,603	2,043
Trade payables denominated in US dollars	(2,849)	(3,670)
Other creditors denominated in US dollars	(1,837)	(2,447)
	8,385	10,509

If the US dollar exchange rate were to move by 10% against Sterling, the Group would make the following gains/(losses):

	2009 £ 000	2008 £ 000
US dollar strengthens	567	761
US dollar weakens	(464)	(623)

(ii) Euro

The Group has investments in its European based subsidiaries denominated in Euros. Currency exposure arising from the net assets of the Group's European operations is managed through net purchases from suppliers as a partial natural hedge.

The Group has a long term debtor denominated in Euros which is offset by foreign denominated borrowings.

The UK operations generate Euro revenues and forward contracts are used to reduce the impact of Euro exchange rate movements.

Notes to the consolidated financial statements continued

26 Financial risk management continued

The Group has the following outstanding Euro forward contracts

	2009 € 000	2008 € 000
Outstanding forward contracts	350	500

The Group has the following current assets and liabilities denominated in Euros

	2009 € 000	2008 € 000
Trade receivables denominated in Euros	2,041	1,884
Other receivables denominated in Euros	2,571	740
Cash balances denominated in Euros	908	1,193
Trade payables denominated in Euros	(1,409)	(1,030)
Other creditors denominated in Euros	(754)	(347)
	3,357	2,440

If the Euro exchange rate were to move by 10% against Sterling, the Group would make the following gains/(losses)

	2009 £ 000	2008 £ 000
Euro strengthens	342	224
Euro weakens	(280)	(183)

Cash flow interest rate risk

The Group's interest rate risk arises from long-term borrowings. Borrowings in the years ended 30 November 2009 and 2008 were issued at variable rates and are denominated in US dollars, Euros and Sterling. The Group has entered into an interest rate swap agreement on 66% (2008 nil%) of the US denominated borrowings to reduce the impact of future changes in US interest rates. The Group has entered into an interest rate swap agreement on 46% (2008 nil%) of the Sterling denominated borrowings to reduce the impact of future changes in UK interest rates.

The Group is exposed to cash flow risk in respect of loans not covered by the interest rate swap agreements.

If interest rates had been 1% higher/lower on borrowings throughout the year with all other variables held constant, the post tax profit for the year would have been £138,000 (2008 £141,000) lower/higher respectively.

The Group possesses finance leases which are secured on the assets to which the lease relates. The leases commit the Group to make monthly payments of £13,000 (2008 £17,000). The Group does not believe there is significant cash flow risk associated with these leases as the Group has cash reserves. However, should the Group be unable to meet the finance lease obligations, then the lenders have recourse against the assets in order to reclaim the debt due.

Credit risk

Credit risk is disclosed in note 14.

26 Financial risk management continued

Liquidity risk

Banking facilities were renegotiated in June 2009. Further details including a maturity profile are disclosed in note 17. The amortising debt commits the Group to quarterly repayments of principal of £125,000. Interest is payable based on the length of the revolving facilities, typically between 1 and 3 months and on a quarterly basis for the term loan. The Group is required to meet banking covenants on a quarterly basis. Whilst the Group has sufficient cash reserves and expects future trading to enable it to meet its cash flow obligations, should trading performance prevent it from doing so then the lender has recourse over the Group's assets.

The table below analyses the Group's non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. Derivative financial liabilities are included in the analysis to the extent their contractual maturities are essential for an understanding of the timing of cash flows. The amounts disclosed are the contractual undiscounted cash flows.

	Less than 1 year £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	Over 5 years £'000
30 November 2009				
Borrowings (excluding finance lease liabilities)	1,175	16,204	906	–
Finance lease liabilities	156	46	–	–
Derivatives	198	47	–	–
Trade and other payables	7,945	–	–	–
	9,474	16,297	906	–
30 November 2008				
Borrowings (excluding finance lease liabilities)	1,427	1,369	18,450	–
Finance lease liabilities	195	156	46	–
Derivatives	–	–	–	–
Trade and other payables	9,201	–	–	–
	10,823	1,525	18,496	–

Capital risk

The Group's objectives when managing capital are to safeguard the Group's ability as a going concern in order to provide returns to shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings as shown in the consolidated balance sheet less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheet. The gearing ratio at 30 November 2009 was 38% (2008: 40%).

27 Commitments

Capital and other financial commitments

Contracts placed for future capital expenditure not provided in the financial statements at 30 November 2009 were £160,000 (2008: £306,000).

Operating lease commitments – minimum lease payments

	2009		2008	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Commitments under non-cancellable operating leases expiring				
Within one year	1,252	145	803	132
Later than one year and less than five years	2,988	221	3,322	340
After five years	2,397	–	3,045	–
	6,637	366	7,170	472

Notes to the consolidated financial statements continued

Group

28 Contingent liability

The Group transferred its ongoing liability under a property lease to a third party in March 2008. Under the terms of the lease, should the third party default on payment, the lessor has recourse to the Group. The lease term ends in September 2012 and the potential liability at 30 November 2009 totalled £85,000 (2008: £123,000).

29 Key management compensation

Only the Executive Directors are classified as key management. Their remuneration is shown in the Report of the Remuneration Committee.

	2009 £ 000	2008 £ 000
Salaries and other short term employee benefits	467	582
Other long term benefits	46	45
Share based payments	56	63
	569	690

30 Principal subsidiaries

The principal operating companies at 30 November 2009 are as follows -

Name	Country of incorporation and operation	% holding
Selee Corporation	USA	100%
Porvair Advanced Materials	USA	100%
Porvair Selee Advanced Materials (Wuhan) Co Limited	China	100%
Porvair Filtration Group Inc (formally Omnifilter Inc)	USA	100%
Porvair Filtration Group Limited	England	100%
Toolturn Engineering Limited	England	100%
Porvair Sciences Limited	England	100%
Seal Analytical Limited	England	100%
Seal Analytical GmbH	Germany	100%
Seal Analytical Inc	USA	100%

The other subsidiaries, which are either dormant or non trading, are disclosed on the Annual Return.

Independent auditors' report to the members of Porvair plc

We have audited the parent company financial statements of Porvair plc for the year ended 30 November 2009 which comprise the Parent Company Balance Sheet, the Parent Company Reconciliation of Movements in Shareholders' Funds and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of Directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 19, the Directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the parent company financial statements

- give a true and fair view of the state of the company's affairs as at 30 November 2009,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006, and
- the information given in the Directors' Report for the financial year for which the parent company financial statements are prepared is consistent with the parent company financial statements.


Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns, or
- certain disclosures of Directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the Group financial statements of Porvair plc for the year ended 30 November 2009.



Steven Tapping (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cambridge
25 January 2010

Parent company balance sheet (under UK GAAP)

Company

As at 30 November	Note	2009 £ 000	2008 £ 000
Fixed assets			
Tangible assets	4	51	44
Investments	5	63,149	63,550
		63,200	63,594
Current assets			
Debtors amounts falling due after more than one year	6	32	79
Debtors amounts falling due within one year	6	104	196
		136	275
Creditors amounts falling due within one year	7	(6,745)	(5,067)
Net current liabilities		(6,609)	(4,792)
Total assets less current liabilities		56,591	58,802
Creditors amounts falling due after more than one year	7	(16,583)	(18,280)
Net assets		40,008	40,522
Capital and reserves			
Called up share capital	10	841	841
Share premium account	11	34,024	34,024
Exchange reserve	11	(1,341)	(1,078)
Profit and loss account	11	6,484	6,735
Total shareholders' funds		40,008	40,522

The financial statements on pages 64 to 70 were approved by the Board of Directors on 25 January 2010 and were signed on its behalf by

B D W Stocks

C P Tyler

C. P. Tyler
B D W Stocks

Company profit for the financial year

As permitted by Section 408 of the Companies Act 2006, no profit and loss account is presented for the holding company

The profit after tax attributable to the Company which has been dealt with in the accounts is £572,000 (2008 £200,000)

The Company has no other gains and losses other than the profit above and therefore no separate statement of total recognised gains and losses has been presented

Company

Reconciliation of movements in shareholders' funds

For the year ended 30 November	Note	2009 £ 000	2008 £ 000
Profit for the financial year		572	200
Dividends		(947)	(909)
		(375)	(709)
Exchange differences	11	(263)	545
Net proceeds from issue of ordinary share capital		–	1,286
Share based payments	11	124	105
Net (decrease)/increase in shareholders' funds		(514)	1,227
Opening shareholders' funds		40,522	39,295
Closing shareholders' funds		40,008	40,522

Notes to the financial statements

Company

1 Summary of significant accounting policies

These financial statements have been prepared under the historical cost convention, in accordance with the Companies Act 2006 and applicable UK accounting standards. A summary of the more important accounting policies is set out below, which have been applied on a consistent basis with the previous year, except where noted.

Tangible fixed assets

Tangible fixed assets are capitalised at cost and are depreciated by equal annual amounts over their estimated useful lives. Annual depreciation rates are 10% to 33.33% for plant, machinery and equipment. Assets in the course of construction are capitalised at cost including professional fees and, for qualifying assets, borrowing costs. Depreciation for these assets commences when the assets are ready for their intended use.

Impairment of assets

Assets are regularly reviewed to confirm their carrying values. Where the expected realisable value is lower than the book value, the excess of book value is charged to the profit and loss account during the period.

Fixed asset investments

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

Turnover

Turnover comprises the invoiced value of goods and services supplied net of value added tax and other sales taxes. Turnover is recognised when goods are despatched to the customer at which point the risks and rewards of ownership are transferred.

Patents and trademarks

All expenditure on the registration, renewal and maintenance of patents and trademarks is expensed 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.

Exchange differences arising on retranslation of non-monetary assets and liabilities are recognised directly to the exchange reserve. All other foreign exchange differences are taken to the profit and loss account in the year in which they arise.

Deferred taxation

The charge for tax is based on the profit for the year and takes into account tax deferred or accelerated because of timing differences between the treatment of certain items for accounting and tax purposes. Full provision is made for deferred tax resulting from timing differences between profits computed for tax purposes and profits stated in the financial statements to the extent that there is an obligation to pay more tax in the future as a result of the reversal of those timing differences. Deferred tax assets are recognised to the extent that they are expected to be recoverable, and are measured on a non-discounted basis based on tax rates and laws enacted at the balance sheet date.

Pensions

Pension costs for defined benefit and defined contribution schemes are charged to the profit and loss account as incurred.

The Company participates in the Group's closed defined benefit pension scheme, the Porvair plc Pension and Death Benefit Plan. The Company includes only the cost of its contributions to the scheme in its profit and loss account for the year because the structure of the scheme is such that it does not enable any individual group company to identify its shares of the assets and liabilities of the scheme.

Share based payments

The Company has applied the requirements of FRS 20, 'Share based payments'. In accordance with the transitional provisions, FRS 20 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as of 1 January 2005.

The Company has adopted Urgent Issues Task Force (UITF) Abstract 44, 'Financial Reporting Standard 20 - Group and Treasury Share Transactions'. Where the parent company has granted rights over its equity instruments to the employees of subsidiary companies, there is a corresponding increase recognised in the investment in subsidiary undertakings in those years.

The Company issues equity settled, share based payments to certain employees. Equity settled, share based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity settled, share based payments is expensed on a straight line basis over the vesting period, based on the Company's estimate of shares that will eventually vest. The charge is then credited back to reserves.

Fair value is measured by use of a Black-Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Operating leases

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

1 Summary of significant accounting policies continued**Borrowing costs**

All borrowing costs are typically recognised in profit or loss in the period in which they are incurred. Borrowing costs incurred in arrangement of new facilities are capitalised and subsequently recognised in the profit and loss account over the period of the borrowings.

2 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging	2009 £ 000	2008 £ 000
Staff costs		
Wages and salaries	741	920
Social security costs	82	82
Other pension costs	66	69
Share based payments	65	72
	954	1,143
Average number of employees	7	7

Directors' share based payments are shown in note 29 of the Group's accounts

Services provided by the Company's auditors and network firms

During the year the Company obtained the following services from the Company's auditors at costs as detailed below:

Fees payable to Company auditors for audit of parent company	13	13
Tax services	29	43
	42	56

In addition to the above services, the Company's auditors acted as auditors to the Porvair plc Pension and Death Benefit Plan. The appointment of auditors to the Group's pension plan and the fees paid in respect of those audits are agreed by the trustees who act independently from the management of the Company. The aggregate fees paid to the Company's auditors for the audit services to the pension plan during the year was £13,000 (2008: £13,000).

3 Directors' emoluments

Detailed disclosures of Directors' individual remuneration and share options are given in the Report of the Remuneration Committee on pages 22 to 25.

4 Tangible fixed assets

	Plant machinery and equipment £ 000	Assets in the course of construction £ 000	Total £ 000
Cost			
At 1 December 2008	114	33	147
Reclassification	33	(33)	—
Additions	21	—	21
Disposals	(12)	—	(12)
At 30 November 2009	156	—	156
Depreciation			
At 1 December 2008	(103)	—	(103)
Charge for year	(14)	—	(14)
Disposals	12	—	12
At 30 November 2009	(105)	—	(105)
Net book value			
At 30 November 2009	51	—	51
At 30 November 2008	11	33	44

There were no capital commitments, authorised and contracted for, in the Company at 30 November 2009 (2008: £Nil).

Notes to the financial statements continued

5 Fixed asset investments

	2009			2008		
	Investment in subsidiary undertakings £ 000	Loans to subsidiary undertakings £ 000	Total £ 000	Investment in subsidiary undertakings £ 000	Loans to subsidiary undertakings £ 000	Total £ 000
Cost						
At 1 December	46,415	33,209	79,624	42,324	27,561	69,885
Additions in the year	1,755	–	1,755	4,058	–	4,058
(Repayments)/advances	(288)	(1,160)	(1,448)	–	2,432	2,432
Capital contributions arising from FRS 20 share based payments charge	59	–	59	33	–	33
Exchange differences	–	(767)	(767)	–	3,216	3,216
At 30 November	47,941	31,282	79,223	46,415	33,209	79,624
Provisions						
At 1 December	(2,598)	(13,476)	(16,074)	(2,598)	(13,476)	(16,074)
At 30 November	(2,598)	(13,476)	(16,074)	(2,598)	(13,476)	(16,074)
Net book value						
At 30 November	45,343	17,806	63,149	43,817	19,733	63,550
At 1 December	43,817	19,733	63,550	39,726	14,085	53,811

The additions in 2009 relate to an increase in the Porvair Corporation investment as consideration for the transfer of Seal Analytical Inc to Porvair Corporation of £1,600,000 and a £155,000 investment in Porvair Selee Advanced Materials (Wuhan) Co Limited based in China

The capital contributions arising from FRS 20 charges represents the Company granting rights over its equity instruments to the employees of subsidiary undertakings. Application of UITF 44 results in a corresponding increase in investments in subsidiary undertakings

Details of the subsidiary undertakings are given in note 30 of the Group accounts

6 Debtors

	Note	2009 £ 000	2008 £ 000
Amounts falling due within one year			
Corporation tax recoverable		85	–
Prepayments		19	196
		104	196
Amounts falling due after more than one year			
Deferred taxation	9	32	79
		32	79

7 Creditors

	Note	2009 £ 000	2008 £ 000
Amounts falling due within one year			
Bank overdraft and other loans	8	6,046	4,246
Trade creditors		146	315
Taxation and social security		55	69
Accruals and deferred income		498	431
Corporation tax payable		–	6
		6,745	5,067
Amounts falling due after more than one year			
Bank loans	8	16,430	18,116
Retirement obligations		153	164
		16,583	18,280

8 Bank and other loans

	2009 £ 000	2008 £ 000
Secured multi-currency revolving credit facility of US\$25 million (2008 US\$25 million) maturing in July 2011 with interest at 2.95% (2008 1.825%) above US dollar LIBOR	13,588	14,919
Secured five year amortising debt facility of £1.875 million (2008 £2.375 million) expiring in July 2013 with interest at 3.25% (2008 1.825%) above LIBOR	1,863	2,359
Secured revolving credit facility of Euro €1.6 million (2008 €1.6 million) maturing January 2011 with interest at 2.95% (2008 1.825%) above EURIBOR	1,461	1,320
Bank loans offset against cash balances in other Group companies under a Group banking offset arrangement	5,564	3,764
	22,476	22,362

	2009 £ 000	2008 £ 000
Bank and other loans of the Company are repayable as follows		
Within one year	6,046	4,246
One to two years	15,560	482
Two to five years	870	17,634
	22,476	22,362

The loans are shown net of issue costs of £67,000 (2008 £82,000) which are being amortised over the life of the loan agreement. On 3 June 2009, the Group renegotiated its banking arrangements and covenants resulting in an increase in margin of 1.125% on revolving credit facilities and 1.425% on the term loan facility.

At 30 November 2009 the Group had £1,646,000 (2008 £1,310,000) of unutilised borrowing facilities under the existing bank facility and a £1,500,000 (2008 £1,500,000) overdraft facility.

The carrying values of bank borrowings approximate their fair value.

The multi-currency, Euro revolving credit facilities and amortising debt facility are secured by fixed and floating charges against the Group's assets.

9 Provisions for liabilities and charges

Under FRS 19 the Company provides for deferred tax on a full provision basis. Deferred tax assets in the accounts have been provided for as follows:

Assets/(liabilities)	2009 £ 000	2008 £ 000
Accelerated capital allowances	(65)	—
Short term timing differences	97	79
	32	79

There were no other unprovided deferred tax amounts at 30 November 2009 (2008 £Nil).

The deferred tax asset in the table above has been included in debtors' amounts falling due after more than one year (note 6).

Notes to the financial statements continued

Company

10 Called up share capital

	2009 £ 000	2008 £ 000
Authorised		
75,000,000 ordinary shares of 2 pence each (2008 75,000,000)	1,500	1,500
Allotted, called up and fully paid		
42,073,640 ordinary shares of 2 pence each (2008 42,073,640)	841	841
Shares issued as fully paid		
At 1 December	42,073,640	40,698,506
Issued during the year	–	1,375,134
At 30 November	42,073,640	42,073,640

Details of shares issued in 2008 and share options are disclosed in note 22 of the Group accounts

11 Reserves

	Share premium account £ 000	Exchange reserve £ 000	Profit and loss account £ 000	Total £ 000
At 1 December 2008	34,024	(1,078)	6,735	39,681
Deficit for the year	–	–	(375)	(375)
Exchange differences	–	(263)	–	(263)
Share based payments	–	–	124	124
At 30 November 2009	34,024	(1,341)	6,484	39,167

The distributable reserves comprise the net amounts of the exchange reserve and the profit and loss account

12 Financial commitments

At 30 November 2009, the Company had annual commitments under non-cancellable operating leases expiring as follows

	2009		2008	
	Land and buildings £ 000	Other £ 000	Land and buildings £ 000	Other £ 000
Commitments under non-cancellable operating leases expiring				
Within one year	–	–	13	–
Later than one year and less than five years	205	6	–	2
After five years	–	–	45	–
	205	6	58	2

Shareholder information

Registrar services

Our shareholder register is managed and administered by Capita Registrars. Capita should be able to help you with most questions you have in relation to your holding in Porvair shares.

Capita can be contacted at

Capita Registrars

Northern House
Woodsome Park
Fenay Bridge
Huddersfield
HD8 0LA

www.capitaregistrars.com

Telephone 0871 664 0300 (calls cost 10p a minute plus network extras, lines are open 8.30am-5.30pm Mon-Fri) (from outside the UK +44 (0) 20 8639 3399) E-mail ssd@capitaregistrars.com

In addition Capita offers a range of other services to shareholders including a share dealing service and a share portal to manage your holdings.

Share dealing service

A share dealing service is available to existing shareholders to buy or sell the Company's shares via Capita Share Dealing Services. Online and telephone dealing facilities provide an easy to access and simple to use service.

For further information on this service, or to buy or sell shares, please contact

www.capitadeal.com – online dealing

0870 458 4577 – telephone dealing

Please note that the Directors of the Company are not seeking to encourage shareholders to either buy or sell their shares. Shareholders in any doubt as to what action to take are recommended to seek financial advice from an independent financial adviser authorised by the Financial Services and Markets Act 2000.

Financial calendar 2010

30 November 2009
Financial year end 2009

26 January 2010
Full year 2009 results

13 April 2010
AGM/Interim Management Statement

28 April 2010
Ex-dividend date

30 April 2010
Record date for dividend

31 May 2010
Half year 2010 period end

11 June 2010
Payment date for dividend

29 June 2010
Half year 2010 results

4 August 2010
Ex-dividend date

6 August 2010
Record date for dividend

10 September 2010
Payment date for dividend

18 October 2010
Interim Management Statement

30 November 2010
Financial year end 2010

25 January 2011
Full year 2010 results

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Porvair plc
7 Regis Place
Bergen Way
King's Lynn
Norfolk PE30 2JN

Telephone +44 (0)1553 765500
Fax +44 (0)1553 765599

Visit our corporate website at
www.porvair.com

porvair