

Registered Number 00888596

Porvair Filtration Group Limited
Annual report and financial statements
for the year ended 30 November 2014

SATURDAY



A4ETN78Z

A12

29/08/2015

#143

COMPANIES HOUSE

Porvair Filtration Group Limited

Annual report and financial statements for the year ended 30 November 2014

Contents

	Page
Directors and advisers for the year ended 30 November 2014	2
Strategic report for the year ended 30 November 2014	3
Directors' report for the year ended 30 November 2014	4
Independent auditors' report to the members of Porvair Filtration Group Limited	7
Profit and loss account for the year ended 30 November 2014	9
Balance sheet as at 30 November 2014	10
Accounting policies for the year ended 30 November 2014	11
Notes to the financial statements for the year ended 30 November 2014	14

Porvair Filtration Group Limited

Directors and advisers for the year ended 30 November 2014

Directors

B D W Stocks

C P Tyler

I Stirling

D Amey

T Liddell

D Mellor

I Boxall

S Wells

Company Secretary

S Rodgers

Registered office

7 Regis Place

Bergen Way

King's Lynn

Norfolk

PE30 2JN

Independent auditors

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Abacus House

Castle Park

Cambridge

CB3 0AN

Solicitors

Paris Smith

1 London Road

Southampton

Hampshire

SO15 2AE

Bankers

Barclays Bank plc

PO Box 885

Mortlock House

Station Road

Histon

Cambridge

CB24 9DE

Porvair Filtration Group Limited

Strategic report for the year ended 30 November 2014

The directors present the Strategic report of the Company for the year ended 30 November 2014.

Review of business and future developments

Porvair Filtration Group Limited ("PFG") had a good year. Revenues in the year ended 30 November 2014 were £52.3 million, an increase of 42% on the prior year (2013: £36.9 million). Profit before tax was £4.6 million (2013: £5.0 million).

Several of the large projects reported in the 2013 financial statements were substantially manufactured in the year. These generated unusually high turnover of £20.3 million (2013: £6.0m). Turnover in 2015 from these projects is expected to be closer to 2013 levels. Profits attributed to these projects are recognised as work is completed and performance milestones for each project, arising throughout the period from 2013 to 2017, are met. A further large contract, with CNOOC in China, was won at the end of the year with turnover expected to exceed US \$10 million spread through the period 2015 to 2018.

Cash generated from these projects has allowed PFG to re-invest in the company. In 2014 we consolidated and expanded our facilities in New Milton in order to free space for aviation and industrial filtration growth in Fareham. Aviation sales have grown almost 50% over the last five years. Investments were also made in machine capacity and automation. Further investments will be made in 2015.

The design and building of gasification filter systems has been a major part of our work in 2014, and will continue to be so in 2015. As the various projects enter their commissioning phases we expect demand for spares and services to grow.

Key performance indicators

The Company considers its key performance indicators to be: turnover growth and operating margins of its principal operations; turnover from new products; profit before tax growth, all measured against a predetermined budget. PFG is part of the Porvair plc group. Further discussion of these key performance indicators, in the context of the group as a whole, including the Company, is provided in the Chairman's statement, Chief Executive's report and the Finance Director's review in Porvair plc's annual report and financial statements, which does not form part of this report.

Principal risks and uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks. Further discussion of these risks and uncertainties, in the context of the group as a whole, including the Company, is provided on pages 21 to 24 of Porvair plc's annual report and financial statements, which does not form part of this report.

By order of the board



D Mellor
Director
26 August 2015

Porvair Filtration Group Limited

Directors' report for the year ended 30 November 2014

The directors present their report and the audited financial statements of the Company for the year ended 30 November 2014.

Principal activities

The principal activity of the Company is the design, manufacture and sale of metal and plastic filters.

Financial risk management

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

Given the size of the Company, 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 cash flow risk and foreign exchange currency rate risk, and circumstances where it would be appropriate to use financial instruments to manage these.

Credit risk

The Company has implemented policies that require appropriate credit checks on potential customers before sales are made. The amount of exposure to any individual customer is subject to a limit, which is reassessed annually by the board.

Liquidity risk

The Company holds cash and the ultimate parent company ensures the Company has sufficient available funds for operations and planned growth.

Interest rate cash flow risk

The Company has interest bearing assets in the form of cash balances that earn interest at variable rates. The directors will revisit the appropriateness of this should the Company's operations change in size or nature.

Foreign exchange currency rate risk

The Company has a policy to minimise foreign exchange currency rate risk through the regular monitoring of foreign currency flows and putting in place, where appropriate, forward currency exchange rate contracts.

Results and dividends

The Company's results for the year are shown on page 10. The Company made a profit for the financial year amounting to £3,591,000 (2013: £3,734,000). Dividends have been paid in the year of £4,000,000 (2013: £4,500,000). The directors do not recommend any further payment of a dividend.

Directors

Details of the directors who were in office during the year and up to the date of signing the financial statements are presented on page 2.

Charitable donations

During the year, the Company made charitable donations of £1,000 (2013: £1,000).

Porvair Filtration Group Limited

Directors' report for the year ended 30 November 2014 (continued)

Employees

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

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of their business units and of the Company as a whole. Communication with all employees continues through internal newsletters, briefing groups and electronic communications.

Research and development

The Company undertakes ongoing research relating to the development of new porous media products.

Policy and practice on payment of creditors

Trade creditors at the year end represented 77 days (2013: 100 days) of purchases. It is the Company's policy in respect of all suppliers to agree payment terms in advance of the supply of goods and to adhere to those payment terms.

Differences between market and balance sheet value of land

In the opinion of the directors, the difference between the market value and balance sheet value of land is not significant.

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic report, Directors' 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 prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that 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 applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Porvair Filtration Group Limited

Directors' report for the year ended 30 November 2014 (continued)

Statement of disclosure of information to the Auditors

In accordance with Section 418 of the Companies Act 2006, the directors have confirmed that 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.

Independent auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

By order of the board



S Rodgers
Company Secretary
26 August 2015

Porvair Filtration Group Limited

Independent auditors' report to the members of Porvair Filtration Group Limited

Report on the financial statements

Our opinion

In our opinion, Porvair Filtration Group Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 30 November 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements comprise:

- the balance sheet as at 30 November 2014;
- the profit and loss account for the year then ended;
- the accounting policies; and
- the notes to the financial statements, which include other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

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. We have no exceptions to report arising from this responsibility.

Porvair Filtration Group Limited

Independent auditors' report to the members of Porvair Filtration Group Limited (continued)

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' responsibilities set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & 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.

What an audit of financial statements involves


We conducted our audit in accordance with ISAs (UK & Ireland). 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 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report and financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.


Christopher Maw (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cambridge
21 August 2015

Porvair Filtration Group Limited

Profit and loss account for the year ended 30 November 2014

	Note	2014 £'000	2013 £'000
Turnover	1	52,299	36,920
Cost of sales		(40,812)	(26,264)
Gross profit		11,487	10,656
Distribution costs		(426)	(171)
Administrative expenses		(6,421)	(5,438)
Operating profit	2	4,640	5,047
Interest payable and similar charges	3	(13)	(10)
Profit on ordinary activities before taxation		4,627	5,037
Tax on profit on ordinary activities	6	(1,036)	(1,303)
Profit for the financial year	19,20	3,591	3,734

All items dealt with in arriving at operating profit above relate to continuing operations.

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

There is no material difference between the profit on ordinary activities before taxation and the profit for the financial year stated above and their historical costs equivalents.

Porvair Filtration Group Limited

Balance sheet as at 30 November 2014

Registered No: 00888596

	Note	2014 £'000	2013 £'000
Fixed assets			
Intangible assets	8	5,924	6,640
Tangible assets	9	6,417	3,673
Investments	10	-	4,099
		12,341	14,412
Current assets			
Stock	11	5,901	6,010
Debtors	12	11,443	9,300
Cash at bank and in hand		14,263	13,441
		31,607	28,751
Creditors : amounts falling due within one year	13	(15,724)	(14,572)
Net current assets		15,883	14,179
Total assets less current liabilities		28,224	28,591
Provisions for liabilities	16	(138)	(125)
Net assets		28,086	28,466
Capital and reserves			
Called up share capital	17	18,208	18,208
Share premium account	19	1,015	1,015
Profit and loss account	19	8,863	9,243
Total shareholders' funds	20	28,086	28,466

The financial statements on pages 9 to 28 were approved by the board of directors on 26 August 2015 and were signed on its behalf by:



D Mellor
Director

Porvair Filtration Group Limited

Accounting policies for the year ended 30 November 2014

Basis of accounting

The financial statements are prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and applicable UK accounting standards. The principal accounting policies, which have been applied consistently, are set out below.

Turnover

Turnover is the total amount receivable from external customers for goods supplied in the ordinary course of business and excludes value added tax. Turnover is recognised once goods are despatched to the customer at which point the risks and rewards of ownership are transferred.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at historic purchase cost less accumulated depreciation.

The cost of tangible fixed assets is their purchase cost, together with any incidental expenses of acquisition.

Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual value, over their estimated economic lives on a straight line basis. Depreciation rates are as follows:

Leasehold improvements	12.5% or the remaining life of the lease
Freehold buildings	2%
Plant and machinery	10% - 50%
Motor vehicles	25%

Freehold land is not depreciated.

Assets in the course of construction are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised. Depreciation for these assets commences when the assets are ready for their intended use.

Goodwill

Purchased goodwill represents the excess of the fair value of total purchase consideration over the fair value of the net assets acquired. This is capitalised as an intangible asset and amortised through the profit and loss account on a straight-line basis over its estimated useful life of 20 years.

Fixed asset investments

Investments in subsidiary undertakings are initially stated at cost. Provision is made for any permanent diminution in the value of these investments.

Stock and work in progress

Stock and work in progress are stated at the lower of cost and net realisable value. Cost includes all expenditure incurred in the normal course of business in bringing the stock to its present location and condition, including an appropriate proportion of overheads. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling prices less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Where necessary provision is made for obsolete, slow moving and defective inventories.

Porvair Filtration Group Limited

Accounting policies for the year ended 30 November 2014 (continued)

Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date. This is normally measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable. Contract costs include costs directly related to the specific contract and indirect costs attributable to the contract.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred where it is probable they will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total revenue, the expected loss is recognised as an expense immediately.

Leases

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 profit and loss account 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 the profit and loss account on a straight-line basis over the term of the relevant lease.

Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken to the profit and loss account in arriving at the operating profit.

Pensions

The Company participates in the Porvair plc Pension & Death Benefit Plan (the "Plan"). The assets of the Plan are held separately from those of the Company in separate trustee administered funds.

The Plan is a multi-employer scheme in which it is not possible to separately identify the underlying scheme assets and liabilities that relate to each employer. In accordance with FRS 17 'Retirement benefits', the Plan is accounted for as a defined contribution scheme.

Further disclosures appropriate to FRS 17 are made in the annual report and financial statements of Porvair plc.

Pension costs for the defined contribution scheme, also operated by Porvair plc, are charged to profit as incurred.

Porvair Filtration Group Limited

Accounting policies for the year ended 30 November 2014 (continued)

Deferred tax

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 or less 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. Deferred tax balances are measured on a non-discounted basis based on tax rates and laws enacted at the balance sheet date.

Research and development

Technical research and development expenditure is written off to the profit and loss account as incurred.

Cash flow statement and related party disclosures

The Company has taken advantage of the exemption in FRS 1 (Revised 1996), 'Cash flow statements', from producing a cash flow statement, as it is a 100% subsidiary of Porvair plc whose consolidated financial statements are publicly available. FRS 8, 'Related party disclosures', requires the disclosure of the details of material transactions between the reporting entity and any related parties. The Company has not disclosed transactions with other group companies, in accordance with the exemption in FRS 8.

Share based payments

The Company has applied the requirements of FRS 20, 'Share-based payment'. 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 parent company issues equity settled, share based payments to certain employees. In accordance with FRS 20, 'Share-based payment', the Company recognises an expense in respect of options granted by its parent company to Company 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.

At each balance sheet date, the Company revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the profit and loss account, with a corresponding adjustment 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.

Porvair Filtration Group Limited

Notes to the financial statements for the year ended 30 November 2014

1 Turnover

Turnover is attributable to the principal activity of the Company and is wholly generated from the United Kingdom. An analysis of turnover by geographical destination is given below:

	2014	2013
	£'000	£'000
United Kingdom	16,348	15,712
Rest of Europe	7,614	6,876
Americas	8,423	8,296
Asia	19,154	5,656
Rest of World	760	380
	52,299	36,920

2 Operating profit

	2014	2013
	£'000	£'000
Operating profit is stated after charging / (crediting):		
Amortisation of intangible fixed assets	716	716
Depreciation of tangible fixed assets:		
- owned assets	805	760
Impairment of tangible fixed assets - owned	170	-
Operating lease rentals:		
- other	942	895
Profit on disposal of tangible fixed assets	(1)	(121)
Research and development expenditure	1,235	1,161
Foreign exchange gain	(91)	(298)
Services provided by the Company's auditors		
During the year, the Company obtained the following services from the Company's auditors at costs as detailed below:		
- The audit of the Company pursuant to legislation	63	61
- Tax services - compliance	-	12

Porvair Filtration Group Limited

Notes to the financial statements for the year ended 30 November 2014 (continued)

3 Interest payable and similar charges

	2014 £'000	2013 £'000
Unwinding of discount on provisions	13	10
	13	10

4 Employee information

The average monthly number of staff employed by the Company, including directors, during the year by activity was as follows:

	2014 Number	2013 Number
Production and distribution	264	269
Selling	38	34
Administration	19	19
	321	322

The cost of employing those staff comprised:

	2014 £'000	2013 £'000
Wages and salaries	9,834	9,588
Social security costs	1,043	955
Share based payment (note 18)	29	35
Other pension costs (note 21)	1,017	679
	11,923	11,257

Porvair Filtration Group Limited

Notes to the financial statements for the year ended 30 November 2014 (continued)

5 Directors' emoluments

	2014	2013
	£'000	£'000
Aggregate directors' emoluments	812	646
Amounts paid to defined contribution pension schemes	117	81
	929	727

The number of directors to whom retirement benefits are accruing under defined contribution pension schemes is 4 (2013: 4).

	2014	2013
Highest paid director	£'000	£'000
Aggregate emoluments	238	181
Amounts paid to defined contribution pension schemes	49	54
	287	235

Messrs Stocks, Tyler and Stirling received no emoluments in respect of their services to the Company as they are paid by the ultimate parent company. Messrs Stocks and Tyler are also directors of the ultimate parent company, Porvair plc, and their remuneration as directors of that company is disclosed in those financial statements.

In the year ended 2014, one director (2013: nil) exercised 9,704 share options (2013: nil) at a gain of £20,000 (2013: £nil), as part of the group share save scheme.

Porvair Filtration Group Limited

Notes to the financial statements for the year ended 30 November 2014 (continued)

6 Tax on profit on ordinary activities

	2014 £'000	2013 £'000
Current tax		
UK corporation tax on profits of the year	1,034	1,241
Adjustments in respect of previous periods	(7)	(53)
Total current tax	1,027	1,188
Deferred tax		
Origination and reversal of timing differences (note 15)	9	115
Total deferred tax	9	115
Tax on profit on ordinary activities	1,036	1,303

The tax assessed for the year is higher (2013: higher) than the standard rate of corporation tax of 21.67% in the UK (2013: 23.33%). The differences are explained below:

	2014 £'000	2013 £'000
Profit on ordinary activities before taxation	4,627	5,037
Profit on ordinary activities multiplied by the standard rate in the UK of 21.67% (2013: 23.33%)	1,003	1,175
Differences arising explained by:		
Expenses not deductible for tax purposes	122	169
Accelerated capital allowances and other timing differences	(11)	(22)
Research and development relief	(80)	(81)
Adjustments in respect of previous periods	(7)	(53)
Current tax charge for the year	1,027	1,188

The standard rate of Corporation Tax in the UK changed from 23% to 21% with effect from 1 April 2014. Accordingly, the effective tax rate applied to the Company's profits for this accounting period is 21.67%. The standard rate of Corporation Tax in the UK reduced to 20% effective 1 April 2015. The Company's theoretical effective rate for the year ended 30 November 2015 will be 20.33%.

Deferred tax relating to temporary differences which are expected to reverse prior to 1 April 2015 is measured at 21% and deferred tax relating to temporary differences expected to reverse after 1 April 2015 is measured at the rate of 20% as these are the enacted rates that will apply on reversal.

Porvair Filtration Group Limited

Notes to the financial statements for the year ended 30 November 2014 (continued)

6 Tax on profit on ordinary activities (continued)

Changes to the UK corporation tax rates were announced in the Chancellor's Budget on 8 July 2015. These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 18% from 1 April 2020. As the changes had not been substantively enacted at the balance sheet date their effects are not included in these financial statements.

7 Dividends

		2014		2013
	Per share	£'000	Per share	£'000
Interim dividend paid	21.97p	4,000	24.71p	4,500

The Directors do not recommend a final dividend to be paid for the year ended 30 November 2014 (2013: £nil).

8 Intangible assets

	Goodwill £'000
Cost	
At 1 December 2013	14,325
Additions	-
At 30 November 2014	14,325
Accumulated amortisation	
At 1 December 2013	7,685
Charge for the year	716
At 30 November 2014	8,401
Net book value	
At 30 November 2014	5,924
At 30 November 2013	6,640

Porvair Filtration Group Limited

Notes to the financial statements for the year ended 30 November 2014 (continued)

9 Tangible fixed assets

	Land and buildings	Assets in the course of construction	Plant & machinery and motor vehicles	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 December 2013	2,036	5	9,797	11,838
Reclassification	-	(2)	2	-
Additions	1,816	1,249	657	3,722
Disposals	-	-	(349)	(349)
At 30 November 2014	3,852	1,252	10,107	15,211
Accumulated depreciation				
At 1 December 2013	1,077	-	7,088	8,165
Charge for the year	121	-	684	805
Impairment	85	-	85	170
Disposals	-	-	(346)	(346)
At 30 November 2014	1,283	-	7,511	8,794
Net book value				
At 30 November 2014	2,569	1,252	2,596	6,417
At 30 November 2013	959	5	2,709	3,673

The net book amount of land and buildings comprises:

	2014 £'000	2013 £'000
Freehold land and buildings	2,221	490
Leasehold improvements	348	469
	2,569	959

Porvair Filtration Group Limited

Notes to the financial statements for the year ended 30 November 2014 (continued)

10 Investments

	Shares in subsidiary undertakings £'000
Cost and Net book value	
At 1 December 2013	4,099
Written-off in the year	(4,099)
At 30 November 2014	-

The Company is exempt under s400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its ultimate parent company, Porvair plc, a company incorporated in England and Wales, whose financial statements are publically available.

During the year, 2Fi Holdings Limited, MF&T Limited, Filters for Industry Limited and Toolturn Engineering Limited were dissolved, and they were formally struck off by 13 January 2015. Accordingly, the fixed asset investments related to these subsidiaries, together with intercompany balances due thereto, were written off.

The remaining investment of Porvair Filtration Group Limited in subsidiary undertakings is as follows:

Subsidiary undertakings	Principal activity	Country of incorporation	Interest in ordinary shares and voting rights
Microfiltrex Limited	Dormant	England and Wales	100%

11 Stock

	2014 £'000	2013 £'000
Raw materials and consumables	2,573	1,506
Work in progress	2,181	3,553
Finished goods and goods for resale	1,147	951
	5,901	6,010

The replacement value of stock is not materially different from the book value.

Porvair Filtration Group Limited

Notes to the financial statements for the year ended 30 November 2014 (continued)

12 Debtors

	2014	2013
	£'000	£'000
Amounts falling due within one year:		
Trade debtors	8,463	5,100
Amounts owed by group undertakings	1,841	2,187
Other debtors and prepayments	1,139	2,013
	11,443	9,300

Amounts owed by group undertakings of £1,841,000 (2013: £2,187,000) are interest free and unsecured with no fixed terms for repayment and due within one year.

13 Creditors : amounts falling due within one year

	2014	2013
	£'000	£'000
Trade creditors	3,529	4,148
Amounts owed to subsidiary undertakings	-	4,099
Amounts owed to group undertakings	60	5
Corporation tax	351	392
Deferred tax liability (note 15)	72	63
Other taxation and social security	654	321
Accruals and deferred income	11,058	5,544
	15,724	14,572

Amounts owed to group and subsidiary undertakings are interest free and unsecured with no fixed terms for repayment and are due within one year.

Porvair Filtration Group Limited

Notes to the financial statements for the year ended 30 November 2014 (continued)

14 Construction contracts

	2014	2013
	£'000	£'000
Amounts due from contract customers included in trade debtors	2,512	308
Contracts in progress at the balance sheet date:		
Amounts due from contract customers included in other receivables	-	102
Amounts due to contract customers included in accruals and deferred income	(8,534)	(3,127)
Net amounts due to contract customers	(8,534)	(3,025)
Contract costs incurred plus recognised profits less recognised losses to date	30,385	10,105
Less: progress billings	(38,919)	(13,130)
Contracts in progress at the balance sheet date	(8,534)	(3,025)

At 30 November 2014, retentions held by customers for contract work amounted to £nil (2013: £nil). Advances received from customers for contract work amounted to £158,000 (2013: £148,000).

15 Deferred taxation

	Deferred tax liability
	£'000
At 1 December 2013	(63)
Charge to profit and loss account (Note 6)	(9)
At 30 November 2014	(72)

The deferred tax liability recognised in the financial statements comprises:

	2014	2013
	£'000	£'000
Accelerated capital allowances	(159)	(131)
Other short term timing differences	87	68
	(72)	(63)

The deferred tax liability has been transferred to creditors (see Note 13). There were no other unprovided deferred tax amounts at 30 November 2014 (2013: £nil).

Porvair Filtration Group Limited

Notes to the financial statements for the year ended 30 November 2014 (continued)

16 Provisions for liabilities

	2014	2013
	£'000	£'000
At 1 December	125	115
Charged to the profit and loss account		
- Unwinding of discount on provisions	13	10
At 30 November	138	125

The provisions arise from a discounted dilapidations provision for leased property which is expected to reverse in 2023.

17 Called up share capital

	2014		2013	
	Number	£'000	Number	£'000
Authorised				
Ordinary 'A' shares of £1 each	4,000,000	4,000	4,000,000	4,000
Ordinary 'B' shares of £1 each	15,000,100	15,000	15,000,100	15,000
Deferred shares	3,000,000	3,000	3,000,000	3,000
	22,000,100	22,000	22,000,100	22,000
Allotted and fully paid				
Ordinary 'A' shares of £1 each	3,823,620	3,824	3,823,620	3,824
Ordinary 'B' shares of £1 each	14,384,100	14,384	14,384,100	14,384
	18,207,720	18,208	18,207,720	18,208

The 'A' ordinary shares and the 'B' ordinary shares rank equally and are identical in all respects.

Porvair Filtration Group Limited

Notes to the financial statements for the year ended 30 November 2014 (continued)

18 Share options

The parent company, Porvair plc, has a share option scheme in operation, whereby options over shares in the parent company can be granted to employees of Porvair Filtration Group Limited.

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 profit and loss account 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.

Details of the share options are:

	Year of grant	Exercise period	Subscription price pence	2014 Number of shares	2013 Number of shares
2005 (Revenue unapproved)	2009	2012 – 2019	69.50	25,000	25,000
2011 3yr Save As You Earn Scheme	2011	2014 – 2015	93.00	7,763	203,181
2011 5yr Save As You Earn Scheme	2011	2016 – 2017	93.00	130,361	132,351
2014 3yr Save As You Earn Scheme	2014	2017 – 2018	240.00	177,615	-
2014 5yr Save As You Earn Scheme	2014	2019 – 2020	240.00	91,398	-
At 30 November				432,137	360,532

Movements in share options during the year were:

	2014 Weighted average exercise price (pence)	2013 Weighted average exercise price (pence)	2014 Number of shares	2013 Number of shares
At 1 December	91.37	91.49	360,532	388,106
Options granted	240.00	-	269,388	-
Options forfeited	103.08	93.00	(5,470)	(18,048)
Options exercised	93.00	93.00	(192,313)	(9,526)
At 30 November	183.15	91.37	432,137	360,532
Options exercisable at 30 November	75.07	69.50	32,763	25,000
Options not exercisable at 30 November	192.02	93.00	399,374	335,532
At 30 November	183.15	91.37	432,137	360,532

Porvair Filtration Group Limited

Notes to the financial statements for the year ended 30 November 2014 (continued)

18 Share options (continued)

Options forfeited during the year were:

Scheme	Exercise price pence	2014 Number of shares	2013 Number of shares
2011 SAYE 3 year	93.00	3,105	14,731
2011 SAYE 5 year	93.00	1,990	3,317
2014 SAYE 3 year	240.00	375	-
Total		5,470	18,048

Options exercised during the year were:

Scheme	Exercise price pence	2014 Number of shares	2013 Number of shares
2011 SAYE 3 year	93.00	192,313	9,526
Total		192,313	9,526

The fair value per option and the assumptions used in the calculation are as follows:

Grant date	30/01/09	01/10/11	01/10/11	01/10/14	01/10/14
Scheme	Porvair 2005 Share Option	Share save 3 year Option	Share save 5 year Option	Share save 3 year Option	Share save 5 year Option
Share price at grant date	69.50p	116.25p	116.25p	300.00p	300.00p
Exercise price	69.50p	93.00p	93.00p	240.00p	240.00p
Shares initially under option	25,000	256,742	135,668	177,990	91,398
Vesting period (years)	3	3	5	3	5
Expected volatility	50%	30%	30%	30%	30%
Expected life (years)	3	3	5	3	5
Risk free rate	0.50%	0.50%	0.50%	0.50%	0.50%
Dividend yield	1.80%	2.47%	2.47%	0.97%	0.97%
Fair value per options (£)	0.21209	0.29606	0.31849	0.85809	0.97057

Share based payment	2014 £'000	2013 £'000
Charge for the year	29	35

The expected volatility is based on historic share price movements of the Porvair plc group. The directors anticipate it is possible that the performance criteria in relation to certain share options may not be met.

Porvair Filtration Group Limited

Notes to the financial statements for the year ended 30 November 2014 (continued)

19 Reserves

	Share premium account	Profit and loss account
	£'000	£'000
At 1 December 2013	1,015	9,243
Profit for the financial year	-	3,591
Dividends	-	(4,000)
Share based payments	-	29
At 30 November 2014	1,015	8,863

20 Reconciliation of movements in shareholders' funds

	2014	2013
	£'000	£'000
Profit for the financial year	3,591	3,734
Dividends	(4,000)	(4,500)
Share based payments	29	35
Opening shareholders' funds	28,466	29,197
Closing shareholders' funds	28,086	28,466

Porvair Filtration Group Limited

Notes to the financial statements for the year ended 30 November 2014 (continued)

21 Pension commitments

The Company provides pension benefits to eligible employees through membership of a defined benefit plan and a defined contribution plan, both operated by its ultimate parent company, Porvair plc.

The contributions paid by the Company in respect of the defined benefit scheme are accounted for as if the scheme were a defined contribution scheme, as the Company is unable to identify its share of the underlying assets and liabilities. The cost of contributions to the scheme is based on pension costs across the group as a whole. Particulars of the latest actuarial valuation of the scheme are contained in the consolidated financial statements of Porvair plc.

The charge to the profit and loss account for the year in respect of contributions to the group schemes amounted to £642,000 (2013: £370,000), and £19,000 (2013: £19,000) was paid to the personal pension fund of T. Liddell. In addition, £20,000 (2013: £20,000) was charged to the profit and loss account in respect of contributions to the personal pension fund of D. Amey. As at 30 November 2014, £68,000 (2013: £63,000) in relation to pensions were outstanding to be paid.

22 Operating lease commitments

Annual commitments under non-cancellable operating leases are as follows:

	2014		2013	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Operating leases which expire:				
Within one year	-	15	-	20
In the second to fifth years inclusive	387	16	95	31
After five years	383	-	675	-
	770	31	770	51

Porvair Filtration Group Limited

Notes to the financial statements for the year ended 30 November 2014 (continued)

23 Contingent liabilities

The Company has entered into advance payment bonds totalling \$5,565,000 (2013: \$10,282,000) relating to monies received in advance on contracts. The bonds require the amount to be repaid in the event delivery is not made within certain parameters. The advance payment bonds are released up to 6 months after delivery of goods and in any event no later than February 2016. The Company has performance bonds totalling \$5,704,000 (2013: \$981,000). The bonds are released after a warranty period and in any event no later than June 2018. The Company also has a bid guarantee of \$300,000 (2013: \$nil) which expires in February 2015.

The Company has an unlimited cross-guarantee arrangement in respect of the bank borrowings of Porvair plc, Seal Analytical Limited, Porvair Sciences Limited and Porvair Filtration Limited. At 30 November 2014, these borrowings amounted to £2,627,000 (2013: £6,194,000).

24 Capital commitments

There was capital expenditure contracted for but not provided for in the financial statements of £493,000 as at 30 November 2014 (2013: £190,000).

25 Related party transactions

Rent was charged to the Company of £68,000 (2013: £74,000) in respect of two properties owned by the personal pension fund of which D. Amey is a beneficiary. £Nil (2013: £nil) was outstanding as at 30 November 2014.

26 Parent undertaking

The Company's intermediate parent undertaking is Porvair Filtration Limited, a company registered in England and Wales.

The Company's ultimate parent undertaking and controlling party is Porvair plc, a company registered in England and Wales which is the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of Porvair plc's financial statements are available to the public and may be obtained from the company secretary at Porvair plc, 7 Regis Place, Bergen Way, King's Lynn, Norfolk, PE30 2JN.