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**Porvair Limited**  
**ANNUAL REPORT AND ACCOUNTS**  
**1983**



#### CHAIRMAN'S REVIEW OF THE YEAR.

In this, the first report of the Company in its new form, it is a pleasure to announce a profitable year, though attention must be drawn to the extraordinary items which contribute to a great extent to the profit. Nevertheless, a trading profit was achieved.

The PERMAIR foil for which the main outlet is to tanners, who laminate it to leather, now has commercial acceptance in six countries and a further six countries are at an advanced stage of their evaluation, with production equipment installed.

One of the objectives of the Company is to exploit the considerable technology that it has on microporous plastics and related subjects. I am pleased to report that the development team formed to identify new business opportunities has been successful in developing new products for use outside the footwear industry. It has also established profitable business in the recovery of solvents from effluent streams of other industries.

From the new products developed, four can be identified as priority for commercial evaluation:

- A filter material for liquid or gas -
- A product for garments where waterproofing and permeability are important -
- Synthetic chamois leather -
- Moulded porous polyethylene products -

The latter is an extension of the VYON technology and there are significant opportunities for this type of product.

It would be remiss not to mention in this report that the VYON business traded profitably, which was a valuable contribution to the results.

Looking to 1984, it offers opportunities which lead one to cautious confidence that objectives will be attained. PERMAIR lamination to leather is now commercially accepted. There is an upturn in the sales of Standard PORVAIR to the UK and other area in the world. The work of the New Business Group is expected to contribute significantly to the results.

Finally, one must mention and thank the total workforce of the Company for their efforts and dedication on this first difficult and to some extent, frustrating period.

J. Clegg - Chairman

## DIRECTORS' REPORT

The directors present their report and the audited accounts of the company for the fifteen month period ended 3 December 1983.

### REVIEW OF THE BUSINESS

The company was incorporated on 3 September 1982. As at 1 October 1982 the company acquired as a going concern the business and certain assets, excluding debtors, and the liabilities of Porvair PLC. The net assets were acquired for £1,197,940 which was satisfied by the issue of 129,998 ordinary shares of £1 each credited as fully paid which have since been converted into ordinary shares with a nominal value of 5p each. Further details of the transaction are shown in Note 2 to the Accounts. On 29 November 1982 the company issued for cash consideration 320,000 redeemable cumulative 11% preference shares of £1 each and 100,000 convertible redeemable cumulative 8.8% preference shares of £1 each.

The company's principal activities during the period were the manufacture, development and marketing of microporous synthetic materials made by various processes with emphasis upon PORVAIR and PERMAIR shoe upper material and VYON polyolefin products.

### RESULTS AND DIVIDENDS

The company's profit after taxation for the period is £287,640, including an extraordinary profit of £219,511. The dividend on the preference shares amounts to £44,000 and the directors do not recommend payment of a dividend on the ordinary shares. The remaining profit of £243,640 will be added to reserves.

### DIRECTORS AND THEIR INTERESTS

The directors at the year end and during the period, and their interests in shares of the company on appointment and at end of the period, are given below:

<u>Name</u>	<u>Ordinary shares</u>	
	<u>3 December 1983</u>	<u>On appointment</u>
S. Ashton (appointed 17.2.83)	10,000	10,000
D. Berwick	333,333	333,333
Sir Stephen Brown KBE	Nil	Nil
J. Clegg (Chairman)	Nil	Nil
A. Everett (resigned 17.2.83)	10,000 (at 17.2.83)	10,000
Dr A. Halliwell	333,333	333,333
J. Morgan (Managing Director)	333,334	333,334
W. Wallis	Nil	Nil

Mr S Ashton and Mr A Everett each had an interest in 2,000 11% redeemable cumulative preference shares of £1 each at the relevant dates set out above.

The directors had interests in warrants as follows:

<u>Name</u>	<u>3 December 1983</u>	<u>On appointment</u>
S. Ashton (appointed 17.2.83)	Nil	Nil
D. Berwick	Nil	Nil
Sir Stephen Brown KBE	4,030	4,030
J. Clegg (Chairman)	500	500
A. Everett (resigned 17.2.83)	Nil (at 17.2.83)	Nil
Dr A. Halliwell	Nil	Nil
J. Morgan (Managing Director)	10	10
W. Wallis	Nil	Nil

#### FIXED ASSETS

The directors consider that the market value of the land and buildings is not materially different from the amount at which it is shown in the balance sheet.

#### CHARITABLE AND POLITICAL CONTRIBUTIONS

No donations were made by the company for charitable or political purposes.

#### DISABLED PERSONS

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and the 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 is fortunate enough not to suffer from a disability.

#### AUDITORS

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

By Order of the Board.

D.E. BERWICK

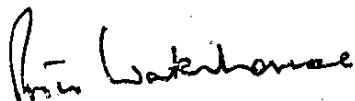
Secretary

24 February 1984

AUDITORS' REPORT TO THE MEMBERS OF  
PORVAIR LIMITED

We have audited the accounts on pages 4 to 16 in accordance with approved Auditing Standards.

In our opinion the accounts, which have been prepared under the historical cost convention, give, under that convention, a true and fair view of the state of affairs of the company at 3 December 1983 and of the profit and source and application of funds of the group for the fifteen months then ended and comply with the Companies Acts 1948 to 1981.

  
PRICE WATERHOUSE

Chartered Accountants

20 January 1984

FORVAIR LIMITED

PROFIT AND LOSS ACCOUNT FOR  
THE FIFTEEN MONTHS ENDED 3 DECEMBER 1983

	£	£
TURNOVER (Note 3)		4,534,417
COST OF SALES		(3,623,993)
		<hr/>
GROSS PROFIT		910,424
Distribution costs	(165,468)	
Administration expenses	(656,156)	
Other operating income	40,710	
	<hr/>	<hr/>
		(790,914)
		119,510
OPERATING PROFIT		
Interest receivable and similar income		24,280
Interest payable and similar charges		(56,804)
		<hr/>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION (Note 4)		86,986
Tax on profit on ordinary activities (Note 5)		(18,857)
		<hr/>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION AND BEFORE EXTRAORDINARY ITEMS		68,129
Extraordinary items (Note 6)		219,511
		<hr/>
PROFIT FOR THE PERIOD		287,640
Dividends paid (Note 7)		(44,000)
		<hr/>
AMOUNT SET ASIDE TO RESERVES (Note 16)		£243,640
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The notes on pages 8 to 16 form an integral part of these accounts.

FORVAIR LIMITED

BALANCE SHEET - 3 DECEMBER 1983

FIXED ASSETS

Tangible assets (Note 8)	1,281,551	
Investments (Note 9)	<u>2</u>	1,281,553

CURRENT ASSETS

Stocks (Note 10)	1,089,728	
Debtors (Note 11)	898,778	
Cash at bank and in hand	192,813	
	<u>2,181,319</u>	
CREDITORS (amounts falling due within one year) (Note 12)	(916,035)	
		<u>1,265,284</u>

NET CURRENT ASSETS

TOTAL ASSETS LESS CURRENT LIABILITIES £2,546,837

CREDITORS (amounts falling due after more than one year) (Note 13) 801,422

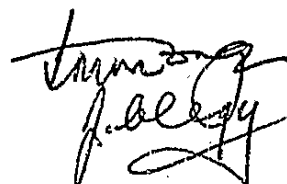
CAPITAL AND RESERVES

Called up share capital (Note 15)	550,000	
Non-distributable reserves (Note 16)	951,775	
Profit and loss account (Note 16)	243,640	
	<u>1,745,415</u>	
Shareholders funds		<u>£2,546,837</u>

The notes on pages 8 to 16 form an integral part of these accounts.

Approved by the Board on 20 January 1984

J. CLEGG ) DIRECTORS  
J.M. MORGAN )



PORVAIK LIMITED

SOURCE AND APPLICATION OF FUNDS STATEMENT  
FOR THE FIFTEEN MONTHS ENDED 3 DECEMBER 1983

£

FLOW OF FUNDS FROM OPERATIONS

Sources

Profit on ordinary activities before taxation	86,986
Extraordinary items (Note 6)	<u>219,511</u>
	306,497

Adjustment for items not involving the  
movement of funds:

Non distributable reserves (Note 16)	951,775	
Depreciation	113,219	
Disposals of tangible assets	<u>8,162</u>	
		<u>1,073,156</u>
		1,379,653

Applications

Additions to tangible assets (Note 8)	(1,402,932)	
Dividends paid (Note 7)	(44,000)	
Acquisition of fixed asset investment	(2)	
Advance Corporation tax on preference dividend	<u>(18,857)</u>	
		<u>(1,465,791)</u>
		(86,138)

Increase in working capital:		
Increase in stocks	(1,089,728)	
Increase in debtors	(898,778)	
Increase in creditors	<u>947,457</u>	
		<u>(1,041,049)</u>

FUNDS ABSORBED BY OPERATIONS (1,127,187)

FUNDS FROM OTHER SOURCES

Issue of ordinary and preference shares (Note 15)	550,000	
Increase in bank and other loans (Note 13)	<u>770,000</u>	
		<u>1,320,000</u>

INCREASE IN NET LIQUID FUNDS £192,813

Comprising:

Cash at bank and in hand	<u>£192,813</u>
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The notes on pages 8 to 16 form an integral part of these accounts.



PORVAIR LIMITED

NOTES TO THE ACCOUNTS - 3 DECEMBER 1983

1. ACCOUNTING POLICIES

- a) General. The accounts have been prepared on a going concern basis.
- b) Fixed Assets and Depreciation. Fixed assets including leased items are capitalised at cost. Freehold land and assets under construction are not depreciated. Other fixed assets are depreciated mainly by equal annual amounts over their estimated useful lives. In general annual depreciation rates are 2½% for freehold buildings, 10% for plant and 20% for equipment. Plant and equipment purchased from Porvair PLC are depreciated at a rate of 15%.
- c) Stocks and work in progress. Inventories are stated at the lower of cost (including material, labour and full manufacturing overhead) and net realisable value. Obsolete inventories are written off and provisions made for excess inventories.
- d) Patents and Trade Marks. All expenditure on the registration, renewal and maintenance of patents and trademarks is written off to profit and loss account as it is incurred.
- e) Foreign currencies. Foreign currency assets and liabilities are expressed in sterling at the approximate exchange rates ruling at the year end. Transactions in the normal course of business are expressed at the rates ruling at the date of transaction.
- f) Research, Development, Repairs, and Maintenance. Expenses under these headings are written off as incurred.
- g) Deferred taxation. It is the Company's policy to provide for foreseeable liabilities for taxation deferred by the acceleration of capital allowances in excess of the depreciation charged in the accounts, and by other timing differences.

PORVAIR LIMITED

NOTES TO THE ACCOUNTS - 3 DECEMBER 1983 (CONTINUED)

2. ACQUISITION OF ASSETS AND LIABILITIES OF PORVAIR PLC

In an agreement effective as of 1 October 1982 the company acquired the business and certain net assets of Porvair PLC. From this date the company carried on the activity previously carried on by Porvair PLC.

The detailed amounts of the assets and liabilities acquired in accordance with the agreement referred to above are as follows:

	£
Freehold property plus fixtures and fixed plant and machinery	1,110,522
Stocks of raw materials, work in progress and finished products	699,317
Prepayments	86,260
Loose plant and equipment, motor-vehicles, furniture and furnishings	9,163
Cash in hand	650
Shares in Shoe Technology (UK) Limited	<u>2</u>
	1,905,914
Less liabilities (including a loan amounting to £312,401 which has subsequently been repaid)	<u>707,974</u>
	<u>£1,197,940</u>

PORTAIR LIMITED

NOTES TO THE ACCOUNTS - 3 DECEMBER 1983 (CONTINUED)

3. SEGMENT INFORMATION

Turnover and profit before taxation arise from the company's principal activity.

1983  
£000

A geographical analysis of the company's turnover is as follows.

United Kingdom  
Export

966  
3,568

4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

1983  
£

Profit on ordinary activities before taxation  
is stated after charging/(crediting):

Wages and salaries  
Social security costs

1,297,807  
107,171

1,404,978

Depreciation  
Hire of plant and machinery  
Auditors' remuneration  
Interest payable on bank and other borrowings  
repayable within five years  
Interest payable on long term borrowings  
Proceeds on disposal of fixed assets

113,219  
15,130  
13,500  
23,051  
33,753  
(1,170)

PORVAIR LIMITED

NOTES TO THE ACCOUNTS - 3 DECEMBER 1983 (CONTINUED)

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

1983  
£

Taxation on the profit for the period:

UK corporation tax at 52%

Advance corporation tax written off

18,857

There is no charge to taxation on the profits of the company in consequence of the unutilised tax losses brought forward in respect of the business previously carried on by Porvair PLC. No deferred taxation has been provided as there is no foreseeable liability at 3 December 1983.

6. EXTRAORDINARY ITEMS

The profits arising as extraordinary items in the period have arisen following the purchase of the business and certain assets and liabilities of Porvair PLC.

1983  
£

Profit on sale of a fixed asset	43,467	
Proceeds from surrender of tax losses - 1981:	26,169	
1982:	<u>30,000</u>	99,636

Rebate of rentals in respect of leased assets		<u>119,875</u>
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219,511

For the reasons explained in Note 5, no taxation charge arises on these items.

7. DIVIDENDS

1983  
£

Preference dividends for the period (paid on 30 November 1983)	<u>44,000</u>
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FORVAIR LIMITED

NOTES TO THE ACCOUNTS - 3 DECEMBER 1983 (CONTINUED)

8. TANGIBLE ASSETS

	Freehold Land and buildings £	Plant and machinery £	Assets in course of construction £	Motor Vehicles £	Total £
<u>COST</u>					
On acquisition	790,868	327,380	1,437	-	1,119,685
Additions	-	163,173	36,082	83,992	283,247
					1,402,932
Disposals & items written off	(670)	(8,965)	=	-	(9,635)
At 3 December 1983	790,198	481,588	37,519	83,992	1,393,297
<u>DEPRECIATION</u>					
Disposals	-	(1,473)	-	-	(1,473)
Charge for year	24,135	80,105	-	8,979	113,219
At 3 December 1983	24,135	78,632	-	8,979	111,746
<u>NET BOOK AMOUNT</u>					
At 3 December 1983	766,063	402,956	37,519	75,013	1,281,551

The vehicle additions include £62,141 of leased assets. Amounts totalling £50,362 are outstanding at 3 December 1983, of which £18,940 is payable within 1 year and £31,422 is payable after 1 year.

PORVAIR LIMITED

NOTES TO THE ACCOUNTS - 3 DECEMBER 1983 (CONTINUED)

9. INVESTMENTS - Included in fixed assets

	<u>1983</u> £
Cost of shares in Shoe Technology (UK) Limited	2
This subsidiary company has not traded during the period.	

10. STOCKS

	<u>1983</u> £
Raw materials and consumables	445,939
Work in progress	241,213
Finished goods and goods for resale	402,576
	<u>1,089,728</u>

11. DEBTORS

	<u>1983</u> £
Trade debtors less provisions for bad and doubtful debts	824,832
VAT recoverable	32,105
Prepayments and other debtors	41,841
	<u>898,778</u>

12. CREDITORS (amounts falling due within one year)

	<u>1983</u> £
Bank loan and overdrafts (Note 14)	30,000
Finance lease obligations	18,940
Trade creditors	604,128
Taxation and social security	34,645
Accruals and deferred income	228,322
	<u>916,035</u>

PORVAIR LIMITED

NOTES TO THE ACCOUNTS - 3 DECEMBER 1983 (CONTINUED)

13. CREDITORS (amounts falling due after more than one year)	
	<u>1983</u>
	£
Unsecured loan	500,000
Bank loan and overdraft (Note 14)	<u>270,000</u>
	770,000
Finance lease obligations	31,422
	<u>801,422</u>

The unsecured loan is repayable in three equal annual instalments after five years. The loan is interest free until its fifth anniversary and is subordinate to the claims of senior creditors of the Company.

14. BANK LOANS AND OVERDRAFTS	
	<u>1983</u>
	£
Loan repayable by ten equal instalments falling due in the period 5 January 1984 to 5 January 1993 (Notes 12 & 13)	300,000
Secured by a fixed and floating charge on the assets of the company	<u>          </u>

15. CALLED UP SHARE CAPITAL	
	<u>1983</u>
	£
Allotted and fully paid:	
2,600,000 Ordinary shares of 5p each	130,000
11% Redeemable cumulative preference shares of £1 each	320,000
8.8% Convertible redeemable cumulative preference shares of £1 each	<u>100,000</u>
Authorised	550,000

During the period 129,998 £1 ordinary shares were issued in connection with the acquisition referred to in Note 2. The ordinary shares of the company were converted on 29 November 1982 into ordinary shares with a nominal value of 5p each and the preference shares were issued for cash consideration on that date.

PORVAIR LIMITED

NOTES TO THE ACCOUNTS - 3 DECEMBER 1983 (CONTINUED)

Warrants

There are warrants in existence expiring on 31 March 1993, entitling the holders to subscribe for 356,000 ordinary shares at par.

These warrants are not exercisable until Porvair Limited issues a prospectus and becomes a public company.

16. RESERVES

	Profit and loss account £	Non distributable reserves £
Excess of net assets acquired over ordinary shares issued (Notes 2 & 15)		1,067,940
Preliminary expenses		(116,165)
Amount set aside from profit for the period	243,640	
At 3 December 1983	243,640	951,775

17. CONTINGENT LIABILITIES

At 3 December 1983 there is an outstanding performance guarantee with a customer amounting to	£29,761
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PORVAIR LIMITED

NOTES TO THE ACCOUNTS - 3 DECEMBER 1983 (CONTINUED)

18. PENSION COMMITMENTS

The company operates a pension scheme covering all its employees including the executive directors. This scheme is financed through a separate fund administered by trustees. Based upon actuarial advice there were no contributions to this fund during the period but contributions will recommence with effect from April 1984.

19. EMPLOYEES

The average number of persons employed by the company in the United Kingdom during the year was 152.

20. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

	<u>1983</u> £
Directors' emoluments, including fees of £22,000	90,605

The emoluments of the chairman were £4,000 and the highest paid director £28,535. The table which follows shows the number of directors, whose emoluments and fees, excluding pension contributions, were within the bands stated:

	<u>Directors</u> <u>1983</u>
£ Nil	-
£ 1 - £10,000	4
£10,001 - £20,000	1
£20,001 - £30,000	2

No employees received emoluments in excess of £30,000.