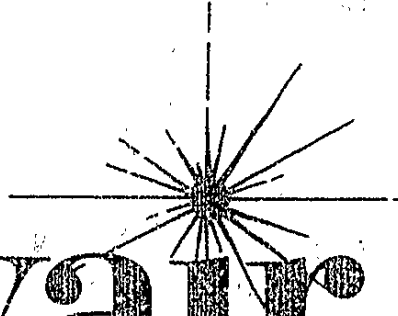


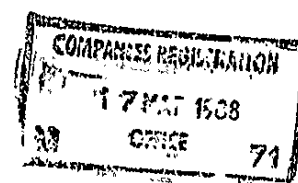
# Porvair



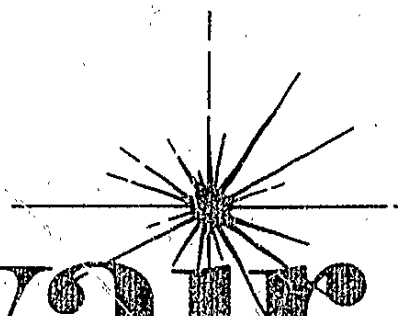
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ANNUAL REPORT & ACCOUNTS  
1987

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# Porvair

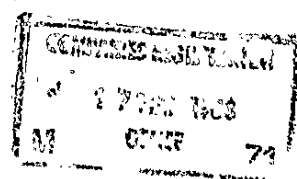


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## ANNUAL REPORT & ACCOUNTS 1987

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PORVAIR LIMITED  
ESTUARY ROAD  
KING'S LYNN  
NORFOLK  
ENGLAND, PE30 2HS



## **DIRECTORS' REPORT**

The Directors present their report and the audited accounts of the Company for the year ended 30 November 1987.

### **PRINCIPAL ACTIVITIES**

The Company's major activities during the year were the manufacture and marketing of microporous synthetic materials.

Major product sales were PORVAIR and PERMAIR for the footwear and leather industries, and VYON, a porous high density polyethylene for a variety of industrial applications.

Commissioning of the plant for PORELLE, a microporous foil, was completed towards the end of the year and the product is now finding acceptance for many end uses including garments, gloves, medical and footwear.

### **RESEARCH AND DEVELOPMENT.**

The Company has a continuing Research & Development programme, with the objective of increasing profitability and evaluating new business opportunities.

All research and development costs are written off as they are incurred.

### **REVIEW OF THE BUSINESS.**

The year under review, the fifth since incorporation, like each preceding year has shown growth in all established sectors of the Company's business. There has been a resultant increase in turnover and profit.

The outlook for further expansion in 1988 is promising. This will come from established products and the first full year of PORELLE on the market, where significant sales are anticipated.

A new £1.2m finishing plant for PERMAIR will be installed in 1988 which will increase the sales potential of this product.

### **RESULTS AND DIVIDENDS.**

The Company's profit after taxation for the year is £1,053,423 (1986 £797,176). The dividend on the preference shares amounts to £44,000. The Directors do not recommend a dividend on the ordinary shares. The remaining profit of £1,009,923 (1986 £753,176) will be added to reserves.

### **DIRECTORS AND THEIR INTERESTS.**

The directors at the year end and during the year, and their interests in shares of the Company at the end of the year, are given below:

Name	Ordinary Shares			
	30 November 1987		30 November 1986	
	Shares	Options	Shares	Options
J. Clegg (Chairman)	Nil	Nil	Nil	Nil
J. Morgan (Managing Director)	455,000	Nil	333,334	Nil
Sir Stephen Brown KBE (resigned 30.11.87)	Nil	Nil	Nil	Nil
P. Greenwood	Nil	Nil	Nil	Nil
Dr. A. Halliwell	455,000	Nil	345,333	Nil
K. Symonds	Nil	10,000	Nil	10,000
W. Wallis	Nil	Nil	Nil	Nil
B. Webb	Nil	10,000	Nil	10,000

Sir Stephen Brown KBE retired from the Board on 30.11.87, aged 81. His resignation due to age was accepted with regret. The Board wish to record their appreciation for his valuable contribution to the Company since its formation. His dedication to the achievement of a successful future for the Company has played a major part in our success.

The Share Options referred to above were granted under the Porvair Share Option Scheme 1986, details of which are given under note 12 to the accounts.

The directors had interests in warrants as follows:

Name	30 November 1987	30 November 1986
J. Clegg (Chairman)	500	500
J. Morgan (Managing Director)	10	10
Sir Stephen Brown KBE	4,030	4,030
P. Greenwood	Nil	Nil
Dr. A. Halliwell	Nil	Nil
K. Symonds	Nil	Nil
W. Wallis	Nil	Nil
B. Webb	Nil	Nil

## FIXED ASSETS

The directors consider that the market value of the land and buildings is in excess of the amount shown in the balance sheet. A professional valuation has been commissioned. Capital expenditure on plant and equipment in the year was £906,000 which included significant amounts in respect of the PORELLE plant. Major additions are shown in Note 6.

## CHARITABLE AND POLITICAL CONTRIBUTIONS.

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

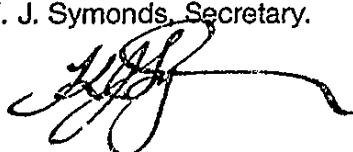
## DISABLED PERSONS.

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.

## THE AUDITORS.

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

By Order of the Board.  
K. J. Symonds, Secretary.

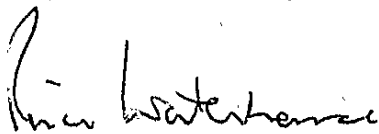


27 January 1988

**AUDITORS' REPORT TO THE MEMBERS OF  
PORVAIR LIMITED.**

We have audited the accounts on pages 5 to 16 in accordance with approved Auditing Standards.

In our opinion the accounts give a true and fair view of the state of affairs of the Company at 30 November 1987 and of the profit and source and application of funds of the Company for the year then ended and comply with the Companies Act 1985.

A handwritten signature in dark ink, appearing to read 'Price Waterhouse', is written over the printed name.

PRICE WATERHOUSE

Chartered Accountants

27 January 1988

PORVAIR LIMITED

PROFIT AND LOSS ACCOUNT FOR THE  
YEAR ENDED 30 NOVEMBER 1987.

	1987 £'000	1987 £'000	1986 £'000	1986 £'000
TURNOVER (Note 2)		10,974		9,245
COST OF SALES		(7,888)		(6,629)
GROSS PROFIT		3,086		2,616
Distribution costs	(488)		(371)	
Administration expenses	(1,431)		(1,377)	
Other operating income	46		58	
		(1,873)		(1,690)
OPERATING PROFIT		1,213		926
Interest payable and similar charges		(143)		(111)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION (Note 3)		1,070		815
Tax on profit on ordinary activities (Note 4)		(16)		(18)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		1,054		797
Dividends paid (Note 5)		(44)		(44)
AMOUNT SET ASIDE TO RESERVES (Note 13)		1,010		753

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

PORVAIR LIMITED

BALANCE SHEET — 30 NOVEMBER 1987

	1987 £'000	1987 £'000	1986 £'000	1986 £'000
<b>FIXED ASSETS</b>				
Tangible assets (Note 6)		3,243		2,661
<b>CURRENT ASSETS</b>				
Stocks (Note 7)	2,464		1,358	
Debtors (Note 8)	2,822		2,292	
Cash at bank and in hand	1		1	
	<u>5,287</u>		<u>4,151</u>	
CREDITORS (amounts falling due within one year) (Note 9)	(3,125)		(2,536)	
<b>NET CURRENT ASSETS</b>		2,162		1,615
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>5,405</u>		<u>4,276</u>
CREDITORS (amounts falling due after more than one year) (Note 10)		1,299		1,180
		<u>4,106</u>		<u>3,096</u>
<b>CAPITAL AND RESERVES</b>				
Called up share capital (Note 12)		550		550
Non-distributable reserves (Note 13)		951		951
Profit and loss account (Note 13)		2,605		1,595
Shareholders' funds		<u>4,106</u>		<u>3,096</u>

J. Clegg

J. M. Morgan

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

PORVAIR LIMITED

SOURCE AND APPLICATION OF FUNDS STATEMENT  
FOR THE YEAR ENDED 30 NOVEMBER 1987

	1987 £'000	1987 £'000	1986 £'000	1986 £'000
FLOW OF FUNDS FROM OPERATIONS				
SOURCES				
Profit on ordinary activities before taxation		1,070		815
Adjustment for items not involving movement of funds:				
Depreciation	313		234	
Profit on disposals of tangible assets	(4)		(9)	
	<u>313</u>	309	<u>234</u>	225
		1,379		1,040
APPLICATIONS				
Additions to tangible assets	(906)		(745)	
Dividends paid	(44)		(44)	
Advanced corporation tax on preference dividends	(16)		(18)	
	<u>(966)</u>	(966)	<u>(745)</u>	(807)
		413		233
Increase in working capital:				
Increase in stocks	(606)		(533)	
Increase in debtors	(530)		(401)	
Increase in creditors	268		548	
	<u>(868)</u>	(868)	<u>(533)</u>	(386)
FUNDS ABSORBED BY OPERATIONS		(455)		(153)
FUNDS FROM OTHER SOURCES				
Increase (Decrease) in bank and other loans	287		(30)	
Proceeds from sale of fixed assets	15		28	
	<u>302</u>	302	<u>(30)</u>	(2)
DECREASE IN NET LIQUID FUNDS		(153)		(155)
Comprising:				
Cash at bank and in hand	—		—	
Bank overdraft	(153)		(155)	
	<u>(153)</u>	(153)	<u>(155)</u>	(155)

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



PORVAIR LIMITED

NOTES TO THE ACCOUNTS — 30 NOVEMBER 1987.

1. ACCOUNTING POLICIES

- a) General. The accounts have been prepared under the historical cost convention on a going concern basis.
- b) Fixed Assets and Depreciation. Fixed assets including items leased under finance leases are capitalised at cost. Freehold land and assets under construction are not depreciated. Other fixed assets are depreciated by equal annual amounts over their estimated useful lives. In general annual depreciation rates are 2½% for freehold buildings, 10% for plant, 20% for equipment and 25% for motor vehicles.
- 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 the 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.
- h) Government grants. Grants relating to fixed assets have been credited to revenue over the expected useful life of the asset. This has been achieved by reducing the cost of the acquisition of the fixed asset by the amount of the grant.

PORVAIR LIMITED

NOTES TO THE ACCOUNTS — 30 NOVEMBER 1987 (Continued)

	1987 £'000	1986 £'000
--	---------------	---------------

2. SEGMENT INFORMATION

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

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

United Kingdom	1,822	1,644
Europe	2,241	2,156
Americas	2,592	2,311
Asia	3,052	2,397
Australasia	833	437
Other	434	300
	<u>10,974</u>	<u>9,245</u>

3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	1987 £'000	1986 £'000
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Wages and salaries	2,327	2,169
Social security costs	152	123
Other pension costs	—	22
	<u>2,479</u>	<u>2,314</u>
Operating lease costs	10	11
Auditors' remuneration	19	17
Interest payable on bank and other borrowing repayable within 5 years	103	56
Interest payable on long term borrowings	40	55
Proceeds on disposal of fixed assets	15	28
Depreciation — own assets	249	169
— lease assets	64	65
Finance lease costs	30	44

The Company is committed to operating lease payments of £6,972 in 1988 of which £3,003 is in respect of lease commitments expiring within one year and the remaining leases will expire within five years.

PORVAIR LIMITED

NOTES TO THE ACCOUNTS — 30 NOVEMBER 1987 (continued)

	1987 £'000	1986 £'000
<b>4. TAX ON PROFIT ON ORDINARY ACTIVITIES</b>		
Taxation on the profit for the period:		
UK corporation tax	—	—
Advance corporation tax written off	16	18
	<u>16</u>	<u>18</u>

There is no charge to taxation on the profits of the Company in consequence of the unutilised tax losses brought forward.

No deferred taxation has been provided as in the opinion of the Directors there is no foreseeable liability at 30 November 1987. Had full provision for deferred tax been made at current rates of taxation the potential liability to tax would be as follows:

Accelerated capital allowances	639	483
Other short term timing differences	(12)	(5)
Advance corporation tax recoverable	(90)	(75)
	<u>537</u>	<u>403</u>

The Company has prior year losses to carry forward of approximately £1.4 million (1986 £2.3 million) which at current rates of taxation amounts to £492,000 (1986 £797,000).

	1987 £'000	1986 £'000
<b>5. DIVIDENDS</b>		
Preference dividends for the period	<u>44</u>	<u>44</u>

PORVAIR LIMITED

NOTES TO THE ACCOUNTS — 30 NOVEMBER 1987 (continued)

6. TANGIBLE ASSETS

	Freehold Land and buildings £'000	Plant/ Machinery Equipment £'000	Assets in course of construction £'000	Motor Vehicles £'000	Total £'000
COST					
At 1 December 1986	778	1,965	303	163	3,209
Additions	—	—	885	21	906
Transfers	—	899	(899)	—	—
Disposals	—	—	—	(24)	(24)
At 30 November 1987	<u>778</u>	<u>2,864</u>	<u>289</u>	<u>160</u>	<u>4,091</u>
DEPRECIATION					
At 1 December 1986	83	435	—	30	548
Disposals	—	—	—	(13)	(13)
Charge for year	<u>12</u>	<u>257</u>	<u>—</u>	<u>44</u>	<u>313</u>
At 30 November 1987	<u>95</u>	<u>692</u>	<u>—</u>	<u>61</u>	<u>848</u>
NET BOOK AMOUNT					
At 30 November 1987	<u>683</u>	<u>2,172</u>	<u>289</u>	<u>99</u>	<u>3,243</u>
At 30 November 1986	<u>695</u>	<u>1,530</u>	<u>303</u>	<u>133</u>	<u>2,661</u>

The net book amount of fixed assets include £297,337 (1986 — £372,364) of leased assets. Amounts totalling £221,859 (1986 — £323,880) are outstanding at 30 November 1987, of which £94,656 is payable within 1 year and £127,203 is payable between 2 and 5 years.

The cost of investment in shares in Shoe Technology (UK) Ltd is included in fixed assets — £2 (1986 — £2).

POFVAIR LIMITED

NOTES TO THE ACCOUNTS — 30 NOVEMBER 1987 (continued)

	1987 £'000	1986 £'000
<b>CAPITAL COMMITMENTS</b>		
Authorised but not contracted for	321	43
Authorised and contracted for	141	40
	<hr/>	<hr/>
<b>7. STOCKS</b>	1987 £'000	1986 £'000
Raw materials and consumables	1,033	814
Work in progress	427	535
Finished goods and goods for resale	1,004	509
	<hr/>	<hr/>
	2,464	1,858
	<hr/>	<hr/>
<b>8. DEBTORS</b>	1987 £'000	1986 £'000
Trade debtors less provisions for bad and doubtful debts	2,629	2,112
VAT recoverable	78	112
Prepayments	62	48
Other debtors	53	20
	<hr/>	<hr/>
	2,822	2,292
	<hr/>	<hr/>
<b>9. CREDITORS (amounts falling due within one year)</b>	1987 £'000	1986 £'000
Bank overdraft	634	481
Bank loans (Note 11)	116	46
Unsecured loan (Note 10)	167	—
Finance lease obligations	95	99
Trade creditors	1,521	1,390
Taxation and social security	77	73
Accruals	515	447
	<hr/>	<hr/>
	3,125	2,536
	<hr/>	<hr/>

The Bank overdraft facility is secured by a fixed and floating charge on the assets of the Company.

PORVAIR LIMITED

NOTES TO THE ACCOUNTS — 30 NOVEMBER 1987 (continued)

	1987 £'000	1986 £'000
10. CREDITORS (amounts falling due after more than one year)		
Unsecured loan	333	500
Bank loan No. 1 (Note 11)	150	180
Bank loan No. 2 (Note 11)	65	81
Bank loan No. 3 (Note 11)	430	—
Secured loan	194	194
	<hr/> 1,172	<hr/> 955
Finance lease obligations	127	225
	<hr/> 1,299	<hr/> 1,180

The unsecured loan is repayable in three equal annual instalments falling due in the period November 1988 to November 1990 and is subordinate to the claims of preferential creditors of the Company. The loan was interest free until 30 November 1987 and interest is now charged at 1% above Libor.

The secured loan is repayable in four equal annual instalments falling due in the period 14 August 1990 to 14 August 1993, and is secured by a fixed and floating charge on the assets of the Company. The rate of interest can vary between 7.25% and 10.25%.

11. BANK LOANS	1987 £'000	1986 £'000
The first loan is repayable by six equal instalments falling due in the period 5 January 1988 to 5 January 1993.	180	210
The second loan is repayable by five consecutive instalments, four of £16,000 and a final instalment of £17,000, falling due in the period 3 April 1988 to 3 April 1992.	81	97
The third loan is repayable by seven consecutive annual instalments, six of £70,000 and a final instalment of £80,000 falling due in the period 30 October 1988 to 30 October 1994.	500	—

These loans are secured by a fixed and floating charge on the assets of the Company. The rate of interest is fixed at 2% above Libor.

PORVAIR LIMITED

NOTES TO THE ACCOUNTS — 30 NOVEMBER 1987 (continued)

	1987 £'000	1986 £'000
<b>12. CALLED UP SHARE CAPITAL</b>		
Authorised	600	600
Allotted and fully paid:		
2,600,000 Ordinary shares of 5p each	130	130
11% Redeemable cumulative preference shares of £1 each	320	320
8.8% Convertible redeemable cumulative preference shares of £1 each	100	100
	<u>550</u>	<u>550</u>

Share Options

There are outstanding options over 67,000 ordinary shares which were granted on 29 August 1986 under the Porvair Share Option Scheme 1986, to certain Directors and employees of the Company. These entitle option holders to subscribe for shares of 5p each at a subscription price of 60p per share. In normal circumstances options must be exercised between the third and tenth anniversary of the allocation date.

Redeemable Shares

The Company must redeem at par the 11% preference share capital and 80% of the 8.8% preference share capital between 1 January 1991 and 31 December 1992.

Warrants

There are warrants expiring on 31 March 1993, entitling the holders to subscribe for 353,086 Ordinary shares at par. These warrants are not exercisable until Porvair Limited issues a prospectus and becomes a public company.

**13. RESERVES**

	Profit and Loss account £,000	Non- distributable reserves £,000
At 1 December 1986	1,595	951
Amount set aside from profit for the year	1,010	—
	<u>2,605</u>	<u>951</u>

# PORVAIR LIMITED

## NOTES TO THE ACCOUNTS — 30 NOVEMBER 1987 (continued)

### 14. CONTINGENT LIABILITIES

At 30 November 1987 there were no contingent liabilities (1986 — nil).

### 15. 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. There were no pension costs paid under the scheme during 1987 (1986 — £21,816). Actuarial valuations on both a discontinuance and a going concern basis by the Wyatt Company (UK) Ltd confirm that the scheme is fully funded. Suspension of contributions was extended to 31 March 1988 based upon actuarial advice.

### 16. EMPLOYEES

The average number of persons employed by the Company in the United Kingdom during the year was 222 (1986 — 208).

### 17. DIRECTORS' EMOLUMENTS

	1987 £'000	1986 £'000
Directors' emoluments, including fees of £27,500 (1986 — £24,633)	159	149
Compensation for loss of office	—	3
	<hr/> 159	<hr/> 152
Chairman	7	6
Highest Paid Director	42	38



PORVAIR LIMITED

NOTES TO THE ACCOUNTS — 30 NOVEMBER 1987 (continued)

The table which follows shows the number of Directors, whose emoluments and fees, excluding pension contributions, were within the bands stated:

	Directors	
	<u>1987 Number</u>	<u>1986 Number</u>
£ 1 — £ 5,000	1	2
£ 5,001 — £10,000	2	3
£10,001 — £15,000	1	0
£25,001 — £30,000	1	2
£30,001 — £35,000	2	1
£35,001 — £40,000	0	1
£40,001 — £45,000	1	0