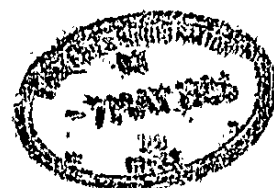
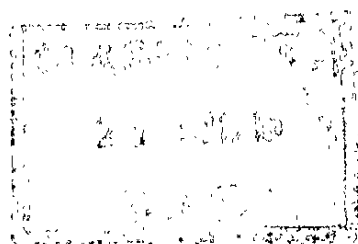


1661935/
29

10

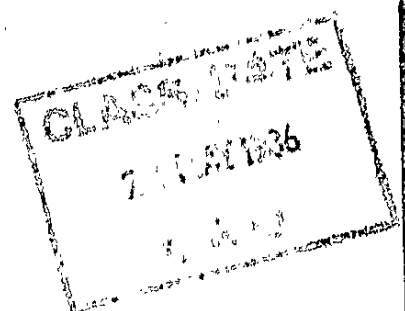
Porvair* Limited.

ANNUAL REPORT AND ACCOUNTS
1985



Porvair* Limited.

ANNUAL REPORT AND ACCOUNTS
1985



DIRECTORS' REPORT

The directors present their report and the audited accounts of the company for the year ended 30 November 1985.

PRINCIPAL ACTIVITIES

The Company's principal activities during the year continued to be the manufacture and marketing of microporous synthetic material with emphasis upon PORVAIR and PERMAIR shoe upper material and VYON polyolefin products. The research into, and development of new products continued through the year and a new microporous foil, PORELLE, was launched in November, for use in the garment industry.

REVIEW OF THE BUSINESS

The year under review has shown satisfactory progression in all established sectors of the Company's business with particular emphasis on PERMAIR. Turnover has increased from £6.2M in the preceding period to £7.7M for the year. Prospects for further expansion are favourable. During 1985 the Company invested £875,000 in new plant and equipment. A major item of Capital Expenditure was in converting the steam raising plant from oil fired to coal. This investment will give significant financial benefits in future years.

We are saddened to report the sudden death on 8 January 1986 of a Board member, Simon Ashton CBE. With the passing of Simon we have lost a true friend and councillor, whose intellect and judgement was valuable to our Company's affairs since its inception. He will be much missed.

RESULTS AND DIVIDENDS

The Company's profit after taxation for the year is £433,281. The comparable profit for 1984 was £252,011. 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 £389,281 (1984 £208,011) 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:

<u>Name</u>	<u>Ordinary shares</u>	
	<u>30 November 1985</u>	<u>1 December 1984</u>
S. Ashton CBE (Deceased 8.1.86)	10,000	10,000
D. Berwick (resigned 29.5.85)	Nil	333,333
Sir Stephen Brown KBE	Nil	Nil
J. Clegg (Chairman)	Nil	Nil
Dr A. Halliwell	345,333	333,333
J. Morgan (Managing Director)	333,334	333,334
W. Wallis	Nil	Nil
K. Symonds (appointed 29.5.85)	Nil	-

Mr S Ashton 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>30 November 1985</u>	<u>1 December 1984</u>
S. Ashton CBE	Nil	Nil
D. Berwick	Nil	Nil
Sir Stephen Brown KBE	4,030	4,030
J. Clegg (Chairman)	500	500
Dr A. Halliwell	Nil	Nil
J. Morgan (Managing Director)	10	10
W. Wallis	Nil	Nil
K. Symonds	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.

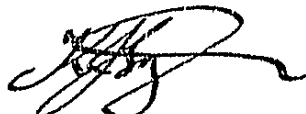
DISABLED PERSONS

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.



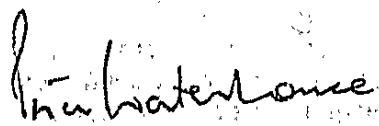
K.J. Symonds
Secretary

22 January 1986

AUDITORS' REPORT TO THE MEMBERS OF
PORVAIR LIMITED

We have audited the accounts on pages 5 to 15 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 1985 and of the profit and source and application of funds of the group for the year then ended and comply with the Companies Act 1985.



PRICE WATERHOUSE

Chartered Accountants

22 January 1986

PORVAIR LIMITED

PROFIT AND LOSS, ACCOUNT FOR
THE YEAR ENDED 30 NOVEMBER 1985

	1985		1984	
	E'000	E'000	E'000	E'000
TURNOVER (Note 2)		7,696		6,211
COST OF SALES		(5,752)		(4,928)
GROSS PROFIT		1,944		1,283
Distribution costs	(317)		(223)	
Administration expenses	(1,136)		(779)	
Other operating income	51		35	
		(1,402)		967
OPERATING PROFIT		542		316
Interest receivable and similar income				2
Interest payable and similar charges		(89)		(47)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION (Note 3)		453		271
Tax on profit on ordinary activities (Note 4)		(19)		(19)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		434		252
Dividends paid (Note 5)		(44)		(44)
AMOUNT SET ASIDE TO RESERVES (Note 13)		390		208

The notes on pages 8 to 15 form an integral part of these accounts.

PORVAIR LIMITED

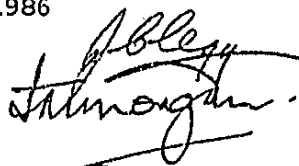
BALANCE SHEET - 30 NOVEMBER 1985

	1985		1984	
	£'000	£'000	£'000	£'000
FIXED ASSETS				
Tangible assets (Note 6)		2,169		1,447
CURRENT ASSETS				
Stocks (Note 7)	1,325		1,100	
Debtors (Note 8)	1,891		1,416	
Cash at bank and in hand	1		1	
	<u>3,217</u>		<u>2,517</u>	
CREDITORS (amounts falling due within one year) (Note 9)	(1,796)		(1,255)	
NET CURRENT ASSETS		1,421		1,262
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>3,590</u>		<u>2,709</u>
CREDITORS (amounts falling due after more than one year) (Note 10)		1,247		756
		<u>2,343</u>		<u>1,953</u>
CAPITAL AND RESERVES				
Called up share capital (Note 12)		550		550
Non-distributable reserves (Note 13)		951		951
Profit and loss account (Note 13)		842		452
Shareholders funds		<u>2,343</u>		<u>1,953</u>

The notes on pages 8 to 15 form an integral part of these accounts.

Approved by the Board on 22 January 1986

J. CLEGG) DIRECTORS
J.M. MORGAN)



PORVAIR LIMITED

SOURCE AND APPLICATION OF FUNDS STATEMENT
FOR THE YEAR ENDED 30 NOVEMBER 1985

	1985		1984	
	£'000	£'000	£'000	£'000
FLOW OF FUNDS FROM OPERATIONS				
<u>Sources</u>				
Profit on ordinary activities before taxation		453		271
Adjustment for items not involving the movement of funds:				
Non distributable reserves			(1)	
Depreciation	145		119	
Disposals of tangible assets	<u>1</u>		<u>-</u>	
		146		118
<u>Applications</u>		<u>599</u>		<u>389</u>
Additions to tangible assets	(875)		(284)	
Dividends paid	(44)		(44)	
Advanced Corporation tax on preference dividend	<u>(19)</u>		<u>(19)</u>	
		(938)		(347)
		<u>(339)</u>		<u>42</u>
Increase in working capital:				
Increase in stocks	(225)		(11)	
Increase in debtors	(475)		(517)	
Increase in creditors	<u>477</u>		<u>291</u>	
		(223)		(237)
FUNDS ABSORBED BY OPERATIONS		(562)		(195)
FUNDS FROM OTHER SOURCES				
Increase in bank and other loans	261			(30)
Proceeds from sale of fixed assets	<u>8</u>	<u>269</u>		
INCREASE (DECREASE) IN NET LIQUID FUNDS		<u>(293)</u>		<u>(225)</u>
Comprising:				
Cash at bank and in hand	-		(192)	
Bank overdraft	<u>(293)</u>		<u>(33)</u>	
		(293)		(225)

The notes on pages 8 to 15 form an integral part of these accounts.

PORVAIR LIMITED

NOTES TO THE ACCOUNTS - 30 NOVEMBER 1985

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. Plant and equipment purchased from Porvair PLC are depreciated at a rate of 15% on the reducing balance.
- 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.
- 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 1985 (CONTINUED)

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:

	<u>1985</u> £000	<u>1984</u> £000
United Kingdom	1,724	1,106
Export	5,972	5,105
	<u>7,696</u>	<u>6,211</u>

3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

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

	<u>1985</u> £000	<u>1984</u> £000
Wages and salaries	1,745	1,483
Social security costs	114	121
Other pension costs	57	40
	<u>1,916</u>	<u>1,644</u>
Hire of plant and machinery and operating lease costs	10	8
Auditors' remuneration	17	15
Interest payable on bank and other borrowings repayable within five years	52	13
Interest payable on long term borrowings	37	33
Proceeds on disposal of fixed assets	8	-
Depreciation - own assets	121	104
- lease assets	24	15
Financial lease costs	10	5

PORVAIR LIMITED

NOTES TO THE ACCOUNTS - 30 NOVEMBER 1985 (CONTINUED)

4. TAX ON PROFIT ON ORDINARY ACTIVITIES

	<u>1985</u> <u>£000</u>	<u>1984</u> <u>£000</u>
Taxation on the profit for the period:		
UK corporation tax	-	-
Advance corporation tax written off	<u>19</u>	<u>19</u>

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 30 November 1985.

5. DIVIDENDS

	<u>1985</u> <u>£000</u>	<u>1984</u> <u>£000</u>
Preference dividends for the period	<u>44</u>	<u>44</u>

PORVAIR LIMITED

NOTES TO THE ACCOUNTS - 30 NOVEMBER 1985 (CONTINUED)

6. TANGIBLE ASSETS

	Freehold Land and buildings £'000	Plant and machinery £'000	Assets in course of construction £'000	Motor Vehicles £'000	Total £'000
<u>COST</u>					
At 1 December 1984	790	703	90	95	1,678
Additions	-	35	816	24	875
Transfers	-	163	(163)	-	-
Disposals	-	-	-	(16)	(16)
At 30 November 1985	790	901	743	103	2,537
<u>DEPRECIATION</u>					
At 1 December 1984	44	155	-	32	231
Disposals	-	-	-	(8)	(8)
Charge for year	20	99	-	26	145
At 30 November 1985	64	254	-	50	368
<u>NET BOOK AMOUNT</u>					
At 30 November 1985	726	647	743	53	2,169
<u>NET BOOK AMOUNT</u>					
At 1 December 1984	746	548	90	63	1,447

The net book amount of fixed assets include £364,177 (1984 - £52,521) of leased assets. Amounts totalling £332,597 (1984 - £38,707) are outstanding at 30 November 1985, of which £86,382 is payable within 1 year and £246,215 is payable between 2 and 5 years.

The cost of investment in shares in Shoe Technology (UK) Ltd is included in fixed assets - £2 (1984 - £2)

PORVAIR LIMITED

NOTES TO THE ACCOUNTS - 30 NOVEMBER 1985 (CONTINUED)

	<u>1985</u> <u>£000</u>	<u>1984</u> <u>£000</u>
CAPITAL COMMITMENTS		
Authorised but not contracted for	-	350
Authorised and contracted for	-	-

7. STOCKS

	<u>1985</u> <u>£000</u>	<u>1984</u> <u>£000</u>
Raw materials and consumables	697	622
Work in progress	224	196
Finished goods and goods for resale	404	282
	<u>1,325</u>	<u>1,100</u>

8. DEBTORS

	<u>1985</u> <u>£000</u>	<u>1984</u> <u>£000</u>
Trade debtors less provisions for bad and doubtful debts	1,825	1,313
VAT recoverable	23	57
Prepayments	39	39
Other debtors	4	7
	<u>1,891</u>	<u>1,416</u>

9. CREDITORS (amounts falling due within one year)

	<u>1985</u> <u>£000</u>	<u>1984</u> <u>£000</u>
Bank overdraft	326	33
Bank loan (Note 11)	30	30
Finance lease obligations	86	23
Trade creditors	875	786
Taxation and social security	52	51
Accruals and deferred income	427	332
	<u>1,796</u>	<u>1,255</u>

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

PORVAIR LIMITED

NOTES TO THE ACCOUNTS - 30 NOVEMBER 1985 (CONTINUED)

10. CREDITORS (amounts falling due after more than one year)

	1985 £000	1984 £000
Unsecured loan	500	500
Bank loan No.1 (Note 11)	210	240
No.2 (Note 11)	97	-
Secured loan	194	-
	<u>1,001</u>	<u>740</u>
Finance lease obligations	246	16
	<u>1,247</u>	<u>756</u>

The unsecured loan is repayable in three equal annual instalments falling due in the period November 1988 to November 1990. The loan is interest free until 30 November 1987 and is subordinate to the claims of preferential creditors of the Company.

The secured loan is repayable in four equal annual instalments falling due in the period 14 August 1990 to 14 August 1993. 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

	1985 £000	1984 £000
The first loan is repayable by eight equal instalments falling due in the period 5 January 1986 to 5 January 1993	240	270
The second loan is repayable by six consecutive annual instalments, five of £16,000 and a final instalment of £17,000 falling due in the period 3 April 1987 and 3 April 1992.	97	-

Both 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 1985 (CONTINUED)

12. CALLED UP SHARE CAPITAL

	<u>1985</u> <u>£000</u>	<u>1984</u> <u>£000</u>
Authorised	570	570
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>

Warrants

There are warrants 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.

13. RESERVES

	<u>Profit and</u> <u>Loss account</u>	<u>Non</u> <u>distributable</u> <u>reserves</u>
	<u>£000</u>	<u>£000</u>
At 1 December 1984	452	951
Amount set aside from profit for the year	390	-
	<u>842</u>	<u>951</u>

14. CONTINGENT LIABILITIES

At 30 November 1985 there were no contingent liabilities. (1984 - £25,000).

PORVAIR LIMITED

NOTES TO THE ACCOUNTS - 30 NOVEMBER 1985 (CONTINUED)

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. Throughout the year employee contributions have been made at a rate of 2% and company contributions at 4%. The pension cost paid under the scheme was £57,412 (1984 - £40,357). Actuarial valuations on both a discontinuance and a going concern basis by Messrs Lane, Clark and Peacock confirm that the scheme is fully funded.

16. EMPLOYEES

The average number of persons employed by the company in the United Kingdom during the year was 187. (1984 - 174).

17. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

	1985 £000	1984 £000
Directors' emoluments, including fees of £25,000	114	95
Compensation for loss of office	35	-
	<hr/> 149	<hr/> 95
Chairman	5	4
Highest Paid Director	35	30

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

	Directors	
	1985	1984
£ Nil	-	-
£ 1 - £ 5,000	2	2
£ 5,001 - £10,000	3	2
£10,001 - £15,000	-	-
£15,001 - £20,000	1	1
£20,001 - £25,000	-	1
£25,001 - £30,000	1	1
£30,001 - £35,000	1	-