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porvair
advanced materials

CONTENTS

COVER: PORELLE, THE ADVANCED POLYURETHANE MEMBRANE USED IN THE MANUFACTURE OF WATERPROOF/ BREATHABLE CLOTHING, INCREASED SALES BY 19% IN 1998.

CORPORATE STATEMENT

PORVAIR IS AN INNOVATIVE ADVANCED MATERIALS GROUP. WE SPECIALISE IN POLYURETHANE MEMBRANES, ACRYLIC, ADVANCED CERAMIC AND SINTERED MATERIALS.

IN OUR PRODUCT RANGE WE LOOK FOR CLEAR TECHNICAL EDGE, STRONG MARKET PRESENCE AND SIGNIFICANT OPPORTUNITIES FOR PROFITABLE GROWTH.

BY THE DEVELOPMENT OF OUR MATERIALS TECHNOLOGY WE AIM TO INCREASE SHAREHOLDER VALUE AND PROVIDE A SECURE AND CREATIVE ENVIRONMENT FOR OUR EMPLOYEES.

HIGHLIGHTS

- Turnover of £62.0m (1997: £70.8m)
- Profit before tax and exceptional items of £2.1m (1997: £6.9m)
- Restructuring of business resulted in exceptional charges of £3.1m
- Unchanged final dividend of 4.1p per share
- Tight operational control – good cash generation and reduced net debt levels
- Strong new products pipeline for advanced materials applications

CHAIRMAN'S STATEMENT

After the most difficult trading period since becoming a public company in 1988, I am disappointed to have to report a pre tax loss for the Group for the first time. The pattern of trading has historically shown a substantial increase in sales levels in the final quarter, but in 1998 the expected upswing in trading towards the end of the year did not occur. This resulted in a significant shortfall in profit for the year.

In response to the tough trading conditions, we have carried out restructuring in certain parts of our business and operating costs have been significantly reduced. Loss making activities have been reorganised or ceased and marginal product lines eliminated. This has resulted in exceptional charges of £3.1m which have reduced trading profit before tax of £2.1m (1997: £6.9m) to a pre tax loss of £1.0m. Whilst this restructuring has been painful, it will equip us to compete vigorously in the coming year.

Despite the lower profit net borrowings at the year end reduced by £1.2m to stand at £10.2m (1997: £11.4m) with gearing remaining at 49%. Interest cover before exceptionals was three times (1997: nine times).

The loss per share was 4.0p whilst earnings per share, before exceptional items, were 8.1p (1997: 18.0p)

It is important to say that much of the Group performed well in 1998 despite the general economic malaise. Porvair Sciences continues to grow, and Porelle – the waterproof/breathable membrane – sold to capacity. The portfolio of new products launched recently into the marketplace is gaining ground. Selee's dual stage filter continues to make progress and encouraging customer trials are under way with our newest materials at Porvair Ceramics.

Board

Ben Stocks, who joined in early February as Group Chief Executive, has driven through structural changes, implemented cost reductions and together with Mark Moran, the Group Finance Director, has focused the management's attention on shareholder value. The Group is therefore in a stronger position going into 1999, and for the immediate future will concentrate on developing the exciting opportunities within its current product portfolio. I am delighted that the transfer of executive responsibility for the Group has taken place so smoothly. I will remain as Chairman of Porvair, but my role will become non-executive in May this year.

After almost 15 years as a director Ken Symonds resigned from the Board on 1 December 1998, although he will continue to act as Company Secretary for the Group. Since joining the Board Ken helped the Company achieve a listing on the London Stock Exchange and presided over a period of growth and acquisition. I am sure you will join me in thanking Ken for his contribution over that period.

Employees
The need for cost reductions regrettably means people leave the Group and we wish those who have left us good fortune in their future endeavours. We have ended the year with 646 employees (1997: 748), 14% fewer than last year. During this period of change, our employees have shown resilience and continuing enthusiasm for the job in hand and for the future. The Board wishes to thank all of them for their help through the year.

Outlook
Although we expect the difficult economic conditions to continue the benefits of the restructuring are already apparent. Looking ahead we see great opportunities for Porvair. The management has a clear understanding of our strategic goal: to generate superior returns for shareholders by the development of advanced materials in which we see clear technical edge and significant growth potential. We are a leaner, stronger business at the start of 1999 and look forward to the year with optimism.

Dividend
In view of the Board's confidence in the future of Porvair it is recommending an unchanged final dividend of 4.1p per share (1997: 4.1p) to be paid on 15 April 1999 to shareholders on the register at the close of business on 19 March 1999. This brings *the total dividend for the year to 6.4p per share (1997: 6.2p) an increase of 3%* compared with the previous year.

John Morgan, Chairman,
23 February 1999

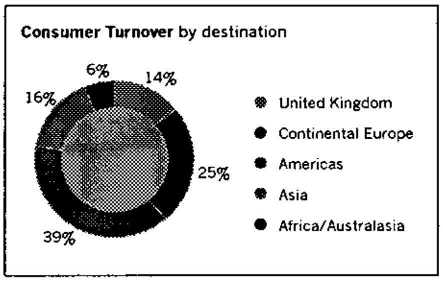
PORVAIR AT A GLANCE

PORVAIR IS AN INNOVATIVE ADVANCED MATERIALS GROUP. WE SPECIALISE IN POLYURETHANE MEMBRANES, ACRYLIC, ADVANCED CERAMIC AND SINTERED MATERIALS.

THE GROUP IS ORGANISED UNDER TWO DIVISIONS: CONSUMER AND FILTRATION.

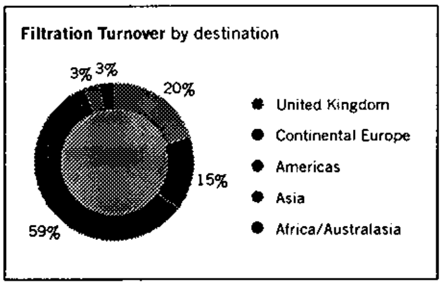
Consumer

Polyurethane membranes	– King's Lynn – Boston, USA – China (50:50) joint venture	£29 million sales



Filtration

Advanced Ceramics	– Hendersonville, USA	£19 million sales
Acrylic Materials	– King's Lynn	£6 million sales
Filtration	– Wrexham	£6 million sales
Life Sciences	– Shepperton	£2 million sales



CHIEF EXECUTIVE'S Q&A

Ben Stocks, appointed as Group Chief Executive in February 1998, outlines here his initial impressions of Porvair and the strategic direction in which he is planning to lead the Group.

Q. Why did you join Porvair?

A. Porvair is an unusual business. It has interesting technology, an entrepreneurial culture, and an excellent record of successful new product introduction. It has grown quickly in recent years and I saw plenty of opportunity for this to continue. I also liked the people. They are committed and creative, and this generates a constructive atmosphere in which ideas and innovation can flourish.

Q. Was the Group as you expected?

A. Yes. We have some good quality companies, built on strong technologies that have mostly been developed within the Group. I found no major operational problems, although because the business has grown significantly in recent years some operational streamlining has been necessary.

Q. But you have just taken a £3m restructuring charge. Why?

A. The Group has just had its worst trading year since 1982, and we should not assume that the economic climate will improve in the short term. In this context we are restructuring in order to focus on some of our best opportunities. We are not short of ideas and opportunities – this is one of the most attractive attributes of Porvair. But to make quick progress in current markets we must concentrate our efforts where our competitive edge is clearest. This has meant fixing or closing our weaker operations; withdrawing from marginal product lines; and reducing costs where it is prudent so to do.

Q. Does this mean a change of strategy for the Group?

A. No. Certainly not. It means building on our strengths, and concentrating on those areas where our advanced materials have a clear technical edge. We are very good at new product development. Let me give you some examples of successful home-grown technology: our Porelle membrane, which has grown by 19% again this year; our unique Porvair Ceramic moulds and pressure cast systems; "dual stage" aluminium filtration – a patented process from Selee; the Microlute filter plate technology in Porvair Sciences; our fine pore advanced ceramic – "GPM"; the fine bubble HDPE aeration domes at Porvair Technology; our polyurethane printing blankets. All these have been developed over the last 5 – 7 years by our own excellent technical staff. Our strategy is to continue to do this, build on this innovative track record, and to compress development time by concentrating clearly on those areas in which we find clear technical edge, strong market presence and significant opportunities for growth.

Q. OK – but trading has disappointed – and not for the first time.

A. True, and we must be clear as to the reasons. The year just gone has been a tough one. Some of our key markets – in Aluminium, Leather, and Ceramic products as well as in Asia, South America and South Africa – have been hard hit. But it's not all been bad news. It has been noticeable that many of our new products and technologies – the ones for example listed above – have grown well. I am excited about the opportunities they represent. Combine this potential with a lower operational cost base and a clear strategic focus on innovation and product development, and we will find ourselves well positioned for growth in 1999 and beyond.

Q. What are the operational priorities for the coming year?

A. New product development is the primary goal for each management team, and our first priority is to bring forward some of the excellent new products currently in the final stages of development. Secondly we need to build on the operational efficiency gains we made last year. Each management team is clear as to its particular priorities in this regard. These two priorities will in turn drive the improvements in return on capital employed to which we are all committed.

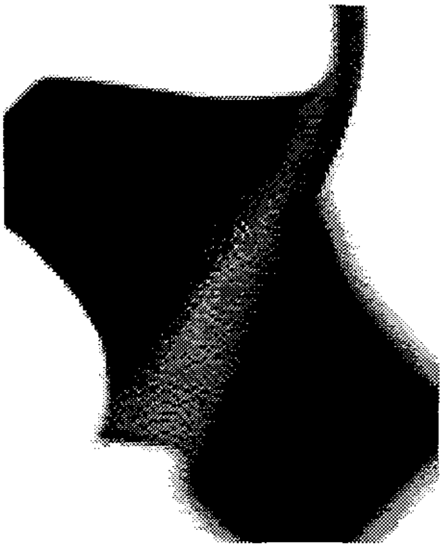
Ben Stocks, Group Chief Executive

OPERATING REVIEW

The Group consists of two divisions – the Consumer division which principally manufactures polyurethane membranes; and the Filtration division which manufactures various advanced materials.

1998 has been a difficult year. Sales were £62m (1997: £71m) and operating profits before exceptional items £3.1m (1997: £7.7m). The pattern of trading through the period under review was markedly different from the previous five years. Typically, Porvair has generated 50% of annual profits and 30% of annual sales in the last quarter of the year. But in 1998 the final quarter turned out to be the weakest sales period of the year – a situation not previously experienced. As announced in November this resulted from weak export demand due to currency fluctuations, deterioration in consumer confidence in some markets, and economic difficulties in Asia.

Towards the end of 1998 the Board accelerated a strategic review of the Group, in order to focus on Porvair's strengths in advanced materials applications. As a result, distribution operations within the Consumer division that incurred losses of around £2.2m in 1998 have been restructured; marginal product lines have been discontinued; and significant operational cost savings – including a 14% decrease in staff numbers – have been made. The total cost of the restructuring was £3.1m, all of which has been charged in the results to 30 November 1998.



PERMAIR – STRONG MARKET PRESENCE
PERMAIR ENHANCED LEATHER IS WATERPROOF, BREATHABLE, SCUFF-RESISTANT AND DOES NOT NEED TO BE POLISHED. IT IS THE WORLD'S LEADING ENHANCED LEATHER MEMBRANE.

Porvair in 1999 therefore, is refocused as an advanced materials business with an exciting list of distinctive products and a strong record for innovation. Looking at the Group over the last 5 or 7 years we have been successful in developing our own, innovative materials applications. Products such as Porelle, Porvair Science microplates, printing blankets, dual stage aluminium filters and ceramic moulds have performed well over time. We will build on these and others, and will concentrate our efforts where we find:

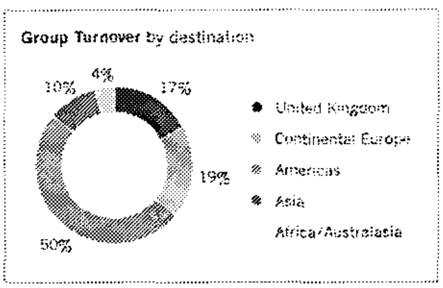
- **Clear technical edge**
- **Strong market presence**
- **Significant opportunities for profitable growth**

Management objectives for 1999 are to maximise return on capital employed and to generate good quality growth from our technical expertise. We have set ourselves the challenge of generating 30% of our sales from products less than 3 years old by the end of 2001. The strength of our materials technology makes this tough challenge achievable.

Consumer division

This division manufactures advanced polyurethane membranes: Permair, which enhances the performance of split leather; and Porelle, which is the technical component used for waterproof/breathable clothing. The division also manufactures and sells a printing blanket using allied technology.

Sales in this division were down 12% in 1998. We were affected badly by a slowdown in retail sales of both footwear and clothing. Permair membrane sales reduced by 26% when compared with the previous year, and our three largest markets, USA,



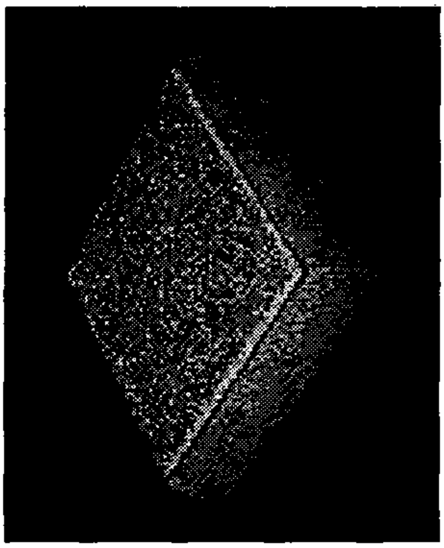
SIGNIFICANT OPPORTUNITIES FOR PROFITABLE GROWTH

THE PORE STRUCTURE OF PORELLE (1–5 MICRONS) PREVENTS THE INGRESS OF WATER DROPLETS (100 MICRONS+); BUT ALLOWS WATER VAPOUR (LESS THAN 0.1 MICRON) TO ESCAPE. THIS MAKES IT WATERPROOF AND BREATHABLE. ITS UNIQUE POLYMER CHEMISTRY ADDS LAMINATE STRENGTH AND WASH DURABILITY. SALES HAVE GROWN 19% IN 1998.

OPERATING REVIEW

South Africa and South East Asia all deteriorated. Weak consumer demand drove leather hide prices to their lowest level for more than 5 years, and footwear markets suffered around the world. There was, however, good progress with our Asian joint venture set up to supply Chinese shoe manufacturers. We believe that this is the future for Permair, and our presence in the region, along with several encouraging product launches, helped us achieve adoption by large brands in both Europe and the USA.

Porelle membrane sales once again showed a healthy increase of 19% compared with the previous year. This is a product developed internally at Porvair. It has clear technical edge and continues to sell well. But, whilst our Porelle membrane sales to third party textile distribution companies increased, Porvair Fabrics, our own distribution business, experienced difficult trading. We have restructured this business, and as a consequence our Northampton facility has been closed. Partnerships with our key textile customers have strengthened, and we will concentrate in future on developing our excellent membranes for fewer specific customers and end users all of whom have strong market positions.



SELEE – SIGNIFICANT OPPORTUNITIES FOR PROFITABLE GROWTH
THESE RETICULATED FOAM FILTERS AND OUR PROPRIETARY DUAL STAGE FILTRATION TECHNOLOGY MAKE SELEE THE WORLD LEADER IN ALUMINIUM CAST SHOP FILTRATION.

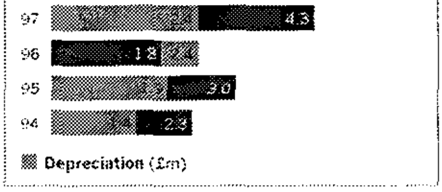
The new waterproof sock – the Porelle Dry – was launched in late 1997 into the UK to a good reception. In mid 1998 we acquired – for a nominal sum – a US brand of waterproof socks – SealSkinz™ from DuPont. The two together give us unique technology and a US market presence. We are now evaluating various means of developing this product around the world and have been encouraged by the interest shown.

Printing blankets – another Porvair innovation – had another strong year, showing 21% growth in 1998.

Filtration division

The division comprises of five companies, the largest of which Selee accounts for 55% (1997: 60%) of the division's turnover. Porvair Advanced Materials is a small company, created last year to launch and focus on the exciting new product developments that have come out of the technology at Selee. Porvair Ceramics manufactures pressure casting machinery and moulds for the sanitary and tableware industries. Porvair Technology sinters both metals and plastics into porous media which are used principally for the filtration market. Porvair Sciences manufactures assay devices for scientific research analysis.

Sales in this division fell by 12.8% when compared with the previous year. Selee's trading was affected by weak prices in its key aluminium market. Aluminium demand has been low for much of the year, but other market segments – iron foundry, super alloys and steel – made good progress. Our response to tough trading has been to cut costs where appropriate, and accelerate new product introductions. Although these did not come through to support 1998, the outlook is promising. For instance, our dual stage aluminium filter process – our own patented technology – continued to be adopted by the major aluminium smelters. It offers very high efficiency filtration for minimal capital outlay and will be an important part of this business in the future.



CLEAR TECHNICAL EDGE

OUR NEW, PROPRIETARY ADVANCED CERAMIC HAS SOME ASTONISHING PROPERTIES. THE MATERIAL IS ZERO THERMAL EXPANSION MAKING IT AN EXCELLENT REFRACTORY AND INSULATOR. ITS UNIQUE INTERCONNECTED MICROPORE STRUCTURE GIVES ONE OF THESE PELLETS – WHICH WEIGH ABOUT ONE GRAMME AND ARE ONE CENTIMETRE HIGH – A SURFACE AREA OF APPROXIMATELY $10m^2$.

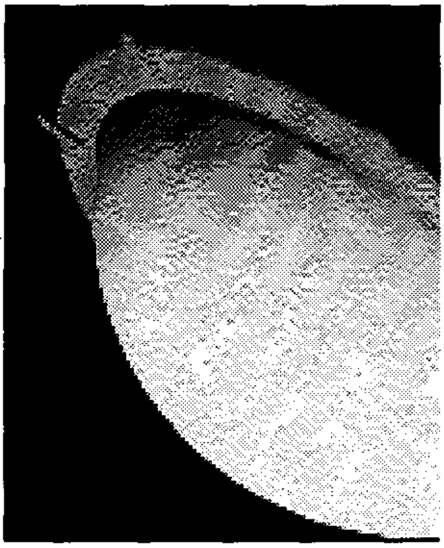
Our new advanced ceramic material ("GPM") was also launched in early 1998. GPM's microporous structure and zero thermal expansion characteristics are of value in highly specified ceramic kiln and catalytic media applications.

This has not been a good year for manufacturers of ceramic tableware or sanitaryware. Although it did not meet our expectations, Porvair Ceramics – which makes pressure casting equipment and moulds for these industries – has performed creditably with sales of £6m (1997: £6.4m). We have strong market presence and a clear technical edge in this market, and many of our moulds are lasting twice as long as we expected initially. This is having a short term impact on replacement orders. We are encouraged however, and are accelerating developments of our unique material for other applications such as high volume tableware, bidets and WC bowls.

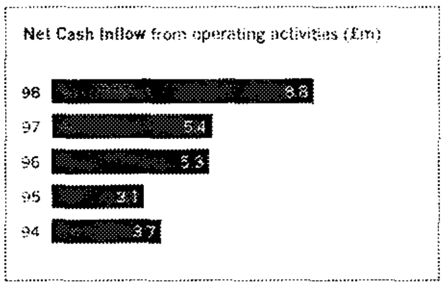
The well publicised weaknesses in Asian markets affected sales from Porvair Technology, where a polymer melt contract worth £1.0m in 1997 did not recur. Sales accordingly were down 14% at £5.6m (1997: £6.5m). Significant cost cutting in the operation, with a staff reduction of 20% in the year, compensated somewhat for the lost business, and operating profits were unchanged from 1997. Importantly, other Porvair Technology products showed growth, and the management has shifted the focus of sales away from the dependence on large capital projects towards products aimed at air, water and healthcare applications – where we can demonstrate clear technical edge. New products, such as the modified aeration domes for fine bubble sewage treatment are being well received. This approach is creating significant opportunities for profitable growth, and this, together with a lower cost base, holds promise for the year to come.

Porvair Sciences had yet another good year increasing sales by only 2% but profit by 20%. Equally important, they developed several interesting new products, the growth of which helped to offset the competitive pressures on some existing lines.

Ben Stocks, *Group Chief Executive*,
23 February 1999



PORVAIR TECHNOLOGY – CLEAR TECHNICAL EDGE
WE ARE INTRODUCING THIS NEW 9" HDPE FINE BUBBLE AERATION DOME TO WATER TREATMENT COMPANIES THIS YEAR. IT USES SINTERED POLYPROPYLENE TECHNOLOGY TO GENERATE 10% BETTER OXYGEN TRANSFER THAN THE CURRENT MARKET LEADER.



STRONG MARKET PRESENCE

FROM ITS LAUNCH IN 1992 PORVAIR'S PRESSURE CASTING SYSTEM FOR THE SANITARYWARE INDUSTRY HAS TAKEN 35% OF THE WORLD MARKET. THE MOST ADVANCED ACRYLIC MOULD MATERIAL AVAILABLE IS SO SUCCESSFUL THAT IT IS LASTING TWICE AS LONG AS ORIGINALLY ENVISAGED.

FINANCIAL REVIEW

Group turnover, in very difficult trading conditions, reduced by 12% to £62.0m (1997: £70.8m), with the reduction equally spread between the Consumer and Filtration divisions which were down 12.0% and 12.8% respectively. Group operating profit, before exceptional charges, reduced to £3.1m (1997: £7.7m). A more detailed analysis of the divisional operational results is given in the Operating Review on pages 6 to 11.

However, at the gross profit level there was a small improvement in margin to 28.9% (1997: 28.7%) despite the difficult trading background. This was achieved through the benefits arising from continued investment in the manufacturing base and by the ongoing process of focusing on higher margin products and customers.

Exceptional charges

Against the background of this extremely difficult trading environment the Group accelerated a number of strategic operational initiatives at the end of 1998. This resulted in exceptional charges of £3.1m being provided in the accounts to 30 November 1998, which reduced profit before tax, before exceptionals, of £2.1m to a loss of £1.0m. The exceptional charges broadly cover the major restructuring of the Fabrics operation (£1.5m); the withdrawal from marginal product lines (£0.8m); and redundancy costs (including Fabrics) of £0.8m – the result of a 14% reduction in employee numbers during the period.

The cash element of the exceptional charges is around £1.1m, all of which will be spent by the end of March 1999.

Interest

The Group has been in a net borrowings position throughout the year with the average debt being around £11.7m (1997: £11.1m). Net interest payable increased to £1,007,000 (1997: £850,000), with interest cover before exceptional charges of 3.0 times (1997: 9.1 times). We have in 1998 put in place a new revolving credit facility and this, combined with lower interest rates, should lead to a reduced interest charge in the coming year notwithstanding the anticipated higher average level of debt (see cash flow section below).

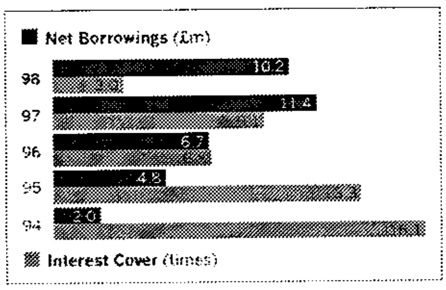
Taxation

The Group's net tax charge is £5,000 (1997: £2.3m). There is no tax payable in the UK for the year; in fact due to the settlement of certain prior year computations there is the release of an over-provision in respect of those earlier periods (£0.3m) offset by a small deferred tax charge. There is however a charge of £0.3m relating to US profits which continue to be taxed at a rate approaching 36%.

Earnings and dividends

Earnings per share, before exceptional charges, were 8.1p (1997: 18.0p); after exceptionals the loss per share was 4.0p.

An interim dividend of 2.3p per share was paid in September 1998 which, together with the proposed unchanged final dividend of 4.1p, gives a total of 6.4p (1997: 6.2p), an increase of 3%. On the basis of earnings of 8.1p per share before exceptionals the dividend is covered 1.3 times (1997: 2.9 times).



Cash flow

In difficult trading conditions it is clearly important to maintain a tight cash management discipline. The year end net debt position was £10.2m (1997: £11.4m), at which level gearing is 49% (1997: 49%), with the reduction driven by an operational emphasis on reducing working capital. There was of course an inflow from the reduction in trade debtors (£5.9m), although an underlying improvement of 6% in the debtor days outstanding was also seen which reflects the improvement in the quality of the outstanding debtors. This underlying improvement translated into additional cash receipts of £0.7m. The overall cash inflow from operating activities displayed a £3.4m improvement on the prior year. Trading working capital (comprising stocks, trade debtors and trade creditors) at the year end totalled £16.0m (1997: £21.0m).

Net capital expenditure was £3.2m (1997: £4.3m), equivalent to 120% of the depreciation charge (1997: 184%). Although below 1997 levels this was still a significant investment to continue the drive for improved operational efficiencies. During 1998 major projects included improvements to the Porelle manufacturing facility (£0.4m), the first phase of the new coating line at King's Lynn (£0.5m), fitting out the new production facility for Ceramics (£0.4m) and the first installation of new enterprise resource planning ("ERP") software in the Group (£0.2m).

In 1999, with increased investment in our core operations, capital spend is likely to be between £4.5 and £5.0m with 70% of the planned cash outflow in the first half; this will be a significant contributor to the increased average debt anticipated in the early part of the year. Major 1999 projects include completion of the new coating line for the membrane operations, installing a gas supply to the King's Lynn site and converting the boilers, and the continued implementation of ERP systems at a number of Group companies.

Financing and treasury policy

The treasury function is managed from the centre and operates under clearly defined policies, approved by the Board, designed to mitigate financial risk. It manages substantially all the Group's foreign exchange risks, and transactions are only undertaken if they relate to underlying exposures. It is not a profit centre and does not undertake speculative financial transactions.

The Group's medium term borrowing facilities were refinanced during the year. The Group now has available £15m under a five year revolving multi-currency facility maturing in July 2003.

The balance sheet is partially hedged by borrowings held in the same currency as overseas net assets and consequently at the year end the Group had borrowings of £5.0m (1997: £3.0m) in US dollars held against £7.5m (1997: £6.4m) of US net assets. The Group does not hedge against the impact of exchange rate movements on the translation of non-sterling profits.

At the year end total net borrowings stood at £10.2m. Of the total £9.1m is due for repayment after more than one year, £1.0m was the net overdraft/cash on hand position and £0.1m is debt repayable in 1999.

Year 2000

Porvair is aware of the many possible types of problems with computer systems and other date-aware microchip based equipment in the change to the next millennium. The Group has a Year 2000 strategy under which all its operating businesses have embarked upon projects to help ensure the Group will achieve an acceptable level of readiness for the Year 2000. These projects should be substantially complete by the middle of 1999. The total cost of achieving Year 2000 compliance can only be broadly estimated as compliance is often achieved as a by-product of other improvement projects. It is estimated however that the total cost to the ongoing Group, much of which has already been incurred, is unlikely to be material.

Going concern

The Directors of Porvair plc after having made appropriate enquiries, including a review of the Group's budget for 1999 and its medium term plans, have a reasonable expectation that the Group and Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing these accounts.

Mark Moran, Group Finance Director,
23 February 1999

DIRECTORS' REPORT

The Directors are pleased to present their annual report and the audited accounts of the Group for the year ended 30 November 1998.

Review of business, principal activities and results

The business is reviewed in the Chairman's statement on page 3, the operating review on pages 6 to 11 and the financial review on pages 12 and 13. Likely future developments in the business are also to be found in those sections.

The Group's principal activities are in the areas of manufacturing and marketing advanced materials.

Dividends

An interim dividend of 2.3p per share was paid on 25 September 1998. The Directors recommend the payment of a final dividend of 4.1p per share on 15 April 1999 to shareholders on the register on 19 March 1999. This makes a total dividend for the year of 6.4p per share (1997: 6.2p).

Directors and their interests

The names and biographical details of the directors are set out on page 21.

Mr K J Symonds resigned from the Board on 1 December 1998.

In accordance with the Articles of Association Mr J M Morgan and Mr L G Bingham retire by rotation and being eligible offer themselves for re-election.

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

Details of the beneficial interests of directors in the shares of the Company, share options and service contracts are set out in the Remuneration Committee Report on pages 17 and 18. None of the directors had a material interest in any contract of significance in relation to the Company or its subsidiaries during the year.

Research and development

The Group continues to undertake a research and development programme with the object of increasing profitability and evaluating new business opportunities. The cost to the Group in the year under review was £2.1m (1997: £2.3m). The expenditure is of a development nature and is largely undertaken in-house rather than by third parties. Development expenditure is incurred by all Group companies.

Over the last five years £8.8m has been spent on research and development and usually represents between 3% and 4% of Group turnover. It is estimated that approximately 38% of 1998 sales (1997: 38%) are attributable to new products introduced within the last five years.

Substantial shareholders

As at 23 February 1999 the Company has been notified of the following substantial shareholdings:

	Ordinary Shares	Percentage
Schroder Investment Management Ltd	**3,893,248**	**15.2**
TR Smaller Companies Investment Trust plc	**1,500,000**	**5.8**
Foreign & Colonial Enterprise Trust plc	**1,337,925**	**5.2**
Royal & Sun Alliance Group plc	**1,228,750**	**4.8**
Laminvest NV	**1,198,277**	**4.7**
Edinburgh Small Companies Trust plc	**952,841**	**3.7**
The Throgmorton Trust plc	**825,000**	**3.2**

Employment policies
The Group maintains and develops the involvement of employees through both formal and informal systems of communication and consultation. Managers have a responsibility to communicate effectively and to promote a better understanding by employees of the activities and performance of the Group. Employee consultative committees regularly meet to ensure that management obtain the representative views of employees concerning any decisions that affect them. Information relating to trading, company strategy and any other matters of significance are communicated to all employees through daily and monthly meetings and twice a year through formal presentations.

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

The Group recognises its clear responsibilities for the health and safety of its employees and to the communities in which the Group operates. A health and safety committee comprising representatives from management and employees regularly reviews and inspects the conditions in which our employees work. The Group consistently considers methods of improving safety and our environmental responsibilities.

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 Group continues and the appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of a disabled person should, so far as possible, be identical to that of a person who is fortunate enough not to suffer from a disability.

Donations
The Group made charitable donations of £12,000 during the year (1997: £14,000). There were no political donations.

Close company provisions
The Company is not a close company within the provisions of the Income and Corporation Taxes Act 1988.

Annual General Meeting
At the Annual General Meeting of the Company, to be held on Tuesday 13 April 1999, of which Notice is set out at the end of this document the Directors' existing authority to issue shares will be renewed and extended. In addition, there will be one item of special business (Resolution 8) concerning an authority for the purchase by the Company of its own shares. Full details of all the resolutions to be proposed are set out on pages 42 and 43.

Resolutions 6 and 7 concern the Directors' authority to allot equity securities and renew and extend similar authorities taken at the Annual General Meeting in 1998. If Resolution 6 is passed, the Directors will be unconditionally authorised to allot relevant securities up to a maximum nominal amount of £171,220.48, being one-third of the share capital currently in issue. The Directors have no current intention of exercising this authority. If Resolution 7 is passed, the Directors will be given authority to allot equity securities for cash, first in connection with rights issues and similar proportionate offers and secondly up to a maximum nominal value of £25,683.07 (being 5% of the current issued share capital) wholly for cash without first offering them to existing shareholders on a proportionate basis. The authorities under these resolutions will continue for five years.

Resolution 8 deals with the proposed authority relating to the purchase by the Company in the market of its own shares. The Directors believe that it would be appropriate to take such an authority. The Company's Articles of Association currently provide a general authority for this purpose. However, a special resolution is required to be passed in order to permit the Directors to exercise the power contained in the Articles of Association to make market purchases. The Directors have no present intention of exercising the power. They would only exercise the power when, in the light of conditions prevailing at the time, they were satisfied that it would be in the best interests of the Company and the shareholders to do so and that any purchase would increase the earnings per share of the Ordinary Shares in issue. The maximum number of shares which may be purchased is 2,568,307, representing 10% of the Company's issued ordinary share capital, and the maximum price payable will be limited to 5%, above the average of the middle market quotations of the Company's ordinary shares, as derived from the Daily Official List of the London Stock Exchange, for the five business days prior to any purchase.

Creditor payment policy

The individual operating companies are responsible for agreeing the terms and conditions under which they conduct transactions with their suppliers. It is Group policy that payments to suppliers should be made in accordance with these terms provided that the supplier is also complying with all relevant terms and conditions. The underlying trade creditor days of the Group for the year ended 30 November 1998 were 61 days (1997: 61 days).

Directors' responsibilities

Directors are required by the Companies Act 1985 to ensure that financial statements for each financial year are prepared which give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit or loss for that period. In preparing the financial statements, the directors confirm that suitable accounting policies have been used and applied consistently; reasonable and prudent judgements and estimates have been made; the financial statements have been drawn up on a going concern basis; and applicable accounting standards have been followed.

It is also the directors' responsibility to ensure that adequate accounting records are maintained; to safeguard the assets of the Company and the Group; to maintain a system of internal financial control; and to prevent and detect fraud and other irregularities.

Auditors

With effect from 1 July 1998 Price Waterhouse merged with Coopers & Lybrand to form PricewaterhouseCoopers. Price Waterhouse resigned after the merger and the directors appointed PricewaterhouseCoopers to fill the vacancy. The audit report has been signed by PricewaterhouseCoopers and they have expressed their willingness to be re-appointed. A resolution concerning the re-appointment will be put to the Annual General Meeting.

By order of the Board
K J Symonds
Company Secretary
23 February 1999

REPORT OF THE REMUNERATION COMMITTEE

The Group has complied fully throughout the period with Section A of the best practice provisions annexed to the London Stock Exchange Listing Rules. The Committee has given full consideration, when implementing remuneration policy, to the provisions in Section B of the Annex to the Listing Rules.

The Committee

The Committee is comprised of Ernest Bostwick (Chairman), Peter Greenwood and William Wallis. The Committee determines the pay and benefits of the executive directors, whilst the remuneration of the non-executive directors is determined by the full Board. The Group Chairman, John Morgan, gives guidance essential to the assessment of the performance of the other executive directors.

Remuneration policy

The remit of the Committee, which meets at least twice a year, is to ensure that the remuneration packages of the executive directors are competitive and designed to attract, retain and motivate managers of high quality. The Committee takes independent professional advice in determining remuneration packages. These consist of a base salary, a discretionary annual cash bonus, the grant of share options and the provision of other benefits including pension arrangements, health insurance and company car.

Service contracts

The executive directors have contracts terminable by the Company on twelve months' notice. The non-executive directors receive letters of appointment, and are subject to periodic re-election at the Annual General Meeting in common with all the executive directors. They do not participate in any share option scheme, bonus or pension arrangements.

Annual bonus

Bonus payments to executive directors are made at the discretion of the Committee with reference to individual performance and the achievement of profit targets for the Group or relevant subsidiary. When triggered they are cash payments made annually in arrears and are not pensionable. The bonuses paid in 1998 relate to 1997 performance.

Directors' remuneration

The following table shows the total remuneration of the directors for the year:

	Basic salary and fees £'000	Bonus £'000	Benefits £'000	1998 total £'000	1997 total £'000	Increase in accrued pension p.a. £'000	Transfer value of increase £'000	Accumulated total accrued pension p.a. £'000
Executive directors								
J M Morgan (Chairman)	185	–	9	194	123	8	69	40
L G Bingham	110	40	7	157	90	2	4	8
M Moran	115	2	10	127	20	1	–	1
B D W Stocks* (1)	119	–	4	123	–	1	–	1
K J Symonds (2)	85	–	10	95	86	2	10	18
Non-executive directors								
E Bostwick	16	–	–	16	18	–	–	–
P W Greenwood	16	–	–	16	16	–	–	–
W O F Wallis	16	–	–	16	17	–	–	–
	662	42	40	744	370	14	83	68

* Director served for part of the year only.

Notes:

1 Mr B D W Stocks was appointed to the Board on 16 February 1998.

2 Mr K J Symonds resigned from the Board on 1 December 1998.

3 Mr R G Kopf, who resigned from the Board on 31 July 1997, had total emoluments of £76,000 in 1997.

Pensions

Pension and life assurance benefits are provided for executive directors by the Porvair Pension Plan, a contributory scheme which is open to all employees. Directors receive the same benefits from the Plan as all other members, including a pension payable at retirement, dependants' benefits and a lump sum of four times salary on death in service. Only basic salary is pensionable.

The accumulated total accrued pension figures shown in the above table represent the annual amount of accrued pension payable on retirement at normal retirement age, based on the director's service to, and pensionable earnings at, the relevant year end. The transfer value of the increase has been calculated on the basis of actuarial advice and is net of directors' contributions in the year. The increase in accrued pension and transfer value excludes any increase in inflation.

Share options

Details of the share options granted under Porvair Share Option Schemes are as follows:

	At 01/12/97	Number of options exercised	Granted	At 30/11/98	Exercise price	Gain on date of exercise £'000	Date from which exercisable	Expiry date
Directors								
L G Bingham	26,475	–	–	26,475	236.08p	–	07/10/96	07/10/03
L G Bingham	20,000	–	–	20,000	413.00p	–	07/03/99	07/03/06
L G Bingham	20,000	–	–	20,000	299.00p	–	30/07/00	30/07/07
M Moran	–	–	50,000	50,000	352.50p	–	10/02/01	10/02/08
B D W Stocks	–	–	100,000	100,000	367.50p	–	20/02/01	20/02/08
K J Symonds	15,885	(15,885)	–	–	127.48p	38	23/10/95	23/10/02
K J Symonds	15,885	(15,885)	–	–	236.08p	21	07/10/96	07/10/03
K J Symonds	20,000	–	–	20,000	413.00p	–	07/03/99	07/03/06

- No directors' options lapsed in the year
- *The market price of the shares at 30 November 1998 was 156.5p*
- The range of market price during the year was 125p to 380p

Directors' interests

The beneficial interests, at 30 November 1998, of the directors at that date in the ordinary shares of the Company are shown below. There were no further changes in those interests up to the date of this report.

	1998		1997	
	Ordinary Shares	**Share Options**	Ordinary Shares	Share Options
Executive directors				
J M Morgan (Chairman)	**741,416**	**–**	741,416	–
L G Bingham	**5,000**	**66,475**	5,000	66,475
M Moran	**11,300**	**50,000**	–	–
B D W Stocks	**4,200**	**100,000**	–	–
K J Symonds	**50,000**	**20,000**	30,474	51,770
Non-executive directors				
E Bostwick	**12,018**	**–**	12,018	–
P W Greenwood	**1,875**	**–**	1,875	–
W O F Wallis	**9,375**	**–**	9,375	–

Ernest Bostwick, Chairman
Remuneration Committee
23 February 1999

CORPORATE GOVERNANCE

The directors are of the opinion that the Company complied with the provisions of the Cadbury Committee's Code of Best Practice throughout the year. The Company's auditors, PricewaterhouseCoopers, have reviewed the directors' compliance statement and their report is set out on page 23.

Board of directors

The Board consists of seven directors, of whom three are non-executive, and it meets regularly, normally seven times a year.

The Board retains full and effective control over the Group and monitors the executive management. The Board has a formal schedule of matters specifically reserved to it, which include public statements concerning the Group's affairs, strategy, approval of major expenditure, treasury policy, review of monthly operating results and authority levels. The Company Secretary and Group Finance Director are responsible for ensuring that applicable rules and regulations are complied with and Board procedures are followed.

Audit Committee

The Audit Committee is chaired by William Wallis and its membership is set out on page 22. It meets at least twice a year and its remit includes all matters pertaining to accounting policies, internal controls and financial reporting of the Group. It also recommends the appointment and fees of the external auditors and approves the scope of the audit.

Remuneration Committee

The Remuneration Committee is chaired by Ernest Bostwick and its membership is shown on page 22. The report of this committee is set out on pages 17 and 18.

Nominations Committee

The Nominations Committee is chaired by John Morgan and its membership is shown on page 22. The Committee nominates all appointments to the Board of directors of Porvair plc.

Pension Committee

The Company operates a defined benefit pension scheme covering the majority of employees. The pension scheme is financed through a separate trust fund administered by trustees with an Independent Chairman. The Board has established a Pension Committee chaired by Peter Greenwood and its membership is listed on page 22. The purpose of the committee is to keep under review the present and future Group pension requirements and status of the scheme.

Internal financial control

The Board has overall responsibility for ensuring that the Group maintains a system of internal financial control. The system is designed to ensure the maintenance of proper accounting records and the reliability of financial information used to manage the business. As with any such system, it can only provide reasonable, but not absolute, assurance against material misstatement or loss. The Group's key procedures are as follows:

Control environment – each subsidiary has its own management group which meets regularly to monitor operational matters. The managing director of each subsidiary reports to the Group Chief Executive, and clearly defined lines of responsibility have been established within this organisational structure. The executive directors visit all operating companies regularly to perform detailed operational reviews.

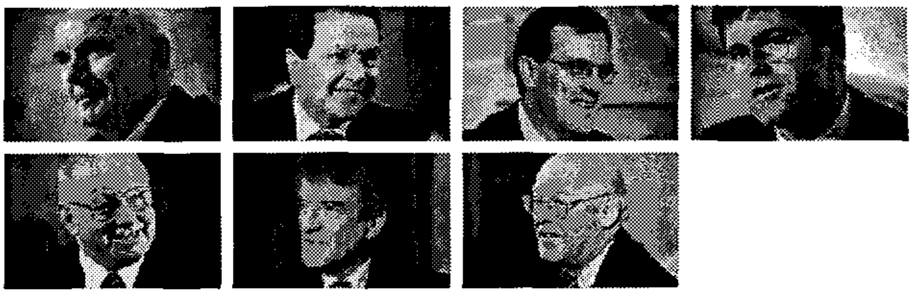
Risk management – operating company management have a clear responsibility for the identification of risks facing each of the businesses, and for establishing procedures to investigate and monitor such risks.

Information and control systems – the Group has a comprehensive process of annual budgets and detailed monthly reporting. The annual budget of each operating company and the consolidated Group budget is approved by the Board as part of its normal responsibilities.

Monitoring system – the Board has established a framework of controls encompassing procedures applicable to all companies that are subject to executive review. Within this framework subsidiaries define their own internal policies and procedures. The Group has introduced a self-assessment process so that operating companies can quantify the extent of their compliance with control objectives. This process is monitored by the Group Chief Executive and Group Finance Director. It is also reviewed by the external auditors and reported on by them to the Board.

The Audit Committee and the Board have reviewed the effectiveness of the Group's internal financial controls for the period 1 December 1997 to 30 November 1998.

BOARD OF DIRECTORS



From left to right, top row: John Morgan, Lew Bingham, Mark Moran, Ben Stocks.
Bottom row: Ernest Bostwick, Peter Greenwood, William Wallis.

John Morgan (59), Chairman
A chemical engineer with experience in manufacturing, marketing and management consultancy. He joined Porvair in 1979 and became Managing Director in 1982 after leading the management buy-out. He was appointed to the positions of Chairman and Chief Executive in 1990 and fulfilled both roles until February 1998 when the new Chief Executive joined the Board.

Lew Bingham (44), Divisional Director
A materials engineer with extensive knowledge of overseas markets, he is a chartered marketeer and qualified human resource practitioner. He joined Porvair in 1992, after several years with Burmah Castrol/Foseco, and became Divisional Director (Consumer) in October 1997. He continues to act as Managing Director of Porvair International.

Mark Moran (38), Group Finance Director
He joined Porvair in October 1997. He had previously been Group Financial Controller of Caradon plc and before that held the same position in a quoted electronics group. He is a Chartered Accountant.

Ben Stocks (36), Group Chief Executive
He joined the Group in February 1998 having previously been UK Managing Director of the Speciality Packaging Division of Carnaud Metal Box. He has also held general management positions with Courtaulds plc.

Non-executive directors

Ernest Bostwick (66)
He was appointed in 1988 and became Chairman of the Remuneration Committee in 1993. Formerly Northern Regional General Manager of GEC Telecommunications, and acts as Chairman of several privately owned UK companies.

Peter Greenwood (64)
He was appointed in 1986 and became Chairman of the Pensions Committee in 1996. A qualified lawyer and formerly Managing Director of Molins plc, he has a broad commercial knowledge of overseas markets.

William Wallis (61), Deputy Chairman (senior non-executive director)
He was appointed at the time of the management buy-out in 1982 and became Chairman of the Audit Committee in 1993. He is a Chartered Accountant and a former Mergers and Acquisitions Manager of a major British insurance group. Previously he was Director of Corporate Finance with a merchant bank.

BOARD COMMITTEES, SECRETARY AND ADVISERS

Directors
John Morgan (Chairman)
Lew Bingham
Ernest Bostwick*
Peter Greenwood*
Mark Moran
Ben Stocks (appointed 16 February 1998)
William Wallis* (Deputy Chairman and senior non-executive director)

*Non-executive

Members of the Audit Committee
William Wallis (Chairman)
Ernest Bostwick
Peter Greenwood

Members of the Remuneration Committee
Ernest Bostwick (Chairman)
Peter Greenwood
William Wallis

Members of the Nominations Committee
John Morgan (Chairman)
Ernest Bostwick
Peter Greenwood
William Wallis

Members of the Pension Committee
Peter Greenwood (Chairman)
Ken Symonds
William Wallis

Secretary and registered office
Ken Symonds
Riverside Industrial Estate
Estuary Road
King's Lynn
Norfolk PE30 2HS

Company registration number
1661935

Auditors
PricewaterhouseCoopers
9 Bond Court
Leeds LS1 2SN

Bankers
Barclays Bank plc
21 Tuesday Market Place
King's Lynn
Norfolk PE30 1JX

Registrars and transfer office
IRG plc
Balfour House
390/398 High Road
Ilford
Essex IG1 1NQ

Solicitors
Travers Smith Braithwaite
10 Snow Hill
London EC1A 2AL

Stockbrokers
Beeson Gregory Limited
The Registry
Royal Mint Court
London EC3N 4EY

Report by the Auditors on Corporate Governance to the Directors of Porvair plc
In addition to our audit of the accounts, we have reviewed your statements on pages 13, 19 and 20 concerning the Group's compliance with the paragraphs of the Cadbury Code of Best Practice specified for our review by the London Stock Exchange and the adoption of the going concern basis in preparing the accounts. The objective of our review is to draw attention to non-compliance with Listing Rules 12.43(j) and 12.43(v), if not otherwise disclosed.

Basis of opinion
We carried out our review having regard to guidance issued by the Auditing Practices Board. That guidance does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of the Group's system of internal financial control or corporate governance procedures nor on the ability of the Group to continue in operational existence.

Opinion
In our opinion your statements on internal financial controls on pages 19 and 20 and on going concern on page 13 have provided the disclosures required by the Listing Rules referred to above and are consistent with the information which came to our attention as a result of our audit work on the accounts.

In our opinion, based on enquiry of certain directors and officers of the Company, and examination of relevant documents, your statement on page 19 appropriately reflects the Group's compliance with the other aspects of the Code specified for our review by Listing Rule 12.43(j).

PricewaterhouseCoopers, Chartered Accountants and Registered Auditors,
9 Bond Court, Leeds, LS1 2SN
23 February 1999

Report of the Auditors to the members of Porvair plc
We have audited the accounts on pages 24 to 40 including the additional disclosures on pages 17 and 18 relating to the remuneration of directors, specified for our review by the London Stock Exchange, which have been prepared under the historical cost convention and the accounting policies set out on page 28.

Respective responsibilities of directors and auditors
As described on page 16, the Company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and report our opinion to you.

Basis of opinion
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion
In our opinion the accounts give a true and fair view of the state of affairs of the Company and the Group as at 30 November 1998 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers, Chartered Accountants and Registered Auditors,
9 Bond Court, Leeds, LS1 2SN
23 February 1999

PricewaterhouseCoopers

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 30 November 1998	Note	*Before* exceptional charges Group 1998 £'000	Exceptional charges Group 1998 £'000	Group 1998 £'000	Group 1997 £'000
Turnover					
Continuing operations (including share of joint venture)		**62,768**	**-**	**62,768**	71,008
Less: share of joint venture		**(803)**	**-**	**(803)**	(242)
	1	**61,965**	**-**	**61,965**	70,766
Cost of sales		**(44,046)**	**(2,118)**	**(46,164)**	(50,445)
Gross profit		**17,919**	**(2,118)**	**15,801**	20,321
Distribution costs		**(1,944)**	**(32)**	**(1,976)**	(2,060)
Administrative expenses		**(13,027)**	**(949)**	**(13,976)**	(10,845)
Other operating income		**203**	**-**	**203**	291
Operating profit					
Continuing operations	1,4	**3,151**	**(3,099)**	**52**	7,707
Share of joint venture	11	**(83)**	**-**	**(83)**	-
		3,068	**(3,099)**	**(31)**	7,707
Net interest payable	2	**(1,007)**	**-**	**(1,007)**	(850)
(Loss)/profit on ordinary activities before taxation		**2,061**	**(3,099)**	**(1,038)**	6,857
Tax on profit on ordinary activities	3			**(5)**	(2,263)
(Loss)/profit on ordinary activities after taxation				**(1,043)**	4,594
Equity minority interests				**10**	(9)
(Loss)/profit on ordinary activities after taxation and minority interest				**(1,033)**	4,585
Dividends	5			**(1,623)**	(1,607)
Retained (loss)/profit for the financial year				**(2,656)**	2,978
Earnings per share	9			**(4.0)p**	18.0p

RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

For the year ended 30 November 1998	Group		Company	
	1998 £'000	1997 £'000	1998 £'000	1997 £'000
(Loss)/profit for the financial year	**(1,033)**	4,585	**(1,133)**	1,683
Dividends	**(1,623)**	(1,607)	**(1,623)**	(1,607)
Retained (loss)/profit for the financial year	**(2,656)**	2,978	**(2,756)**	76
New share capital subscribed	**141**	245	**141**	245
Goodwill written off	**–**	(1,950)	**–**	–
Exchange differences	**171**	(135)	**(28)**	12
Net (reduction in)/addition to equity shareholders' funds	**(2,344)**	1,138	**(2,643)**	333
Opening equity shareholders' funds	**23,132**	21,994	**44,613**	44,280
Closing equity shareholders' funds	**20,788**	23,132	**41,970**	44,613

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 30 November 1998	*Group*		*Company*	
	1998 £'000	1997 £'000	1998 £'000	1997 £'000
(Loss)/profit attributable to shareholders	**(1,033)**	4,585	**(1,133)**	1,683
Exchange differences on retranslation of net assets of subsidiary undertaking and foreign borrowings	**171**	(135)	**(28)**	12
Total recognised gains and losses relating to the year	**(862)**	4,450	**(1,161)**	1,695

BALANCE SHEETS

As at 30 November 1998

	Note	Group 1998 £'000	Group 1997 £'000	Company 1998 £'000	Company 1997 £'000
Fixed assets					
Tangible assets	10	**18,004**	17,399	**119**	10,706
Investments	11	**44**	43	**52,026**	34,275
		18,048	17,442	**52,145**	44,981
Current assets					
Stocks	13	**13,199**	13,297	**-**	6,697
Debtors	14	**12,671**	18,743	**801**	7,539
Cash at bank and in hand		**1,325**	94	**-**	8
		27,195	32,134	**801**	14,244
Creditors					
Amounts falling due within one year	15	**(15,058)**	(22,950)	**(2,128)**	(11,712)
Net current assets		**12,137**	9,184	**(1,327)**	2,532
Total assets less current liabilities		**30,185**	26,626	**50,818**	47,513
Creditors					
Amounts falling due after more than one year	15	**(9,098)**	(3,216)	**(8,848)**	(2,900)
Provisions for liabilities and charges	17	**(261)**	(228)	**-**	-
		20,826	23,182	**41,970**	44,613
Capital and reserves					
Called up share capital	18	**514**	512	**514**	512
Share premium account	19	**1,211**	1,072	**1,211**	1,072
Other reserves	20	**4,908**	4,737	**1,038**	1,066
Profit and loss account	19	**14,155**	16,811	**39,207**	41,963
Total equity shareholders' funds		**20,788**	23,132	**41,970**	44,613
Equity minority interests		**38**	50	**-**	-
		20,826	23,182	**41,970**	44,613

Approved by the Board on 23 February 1999

J M Morgan, Director

M Moran, Director

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30 November 1998	Note	Group 1998 £'000		Group 1997 £'000	
Net cash flow from operating activities	21		**8,822**		5,438
Returns on investments and servicing of finance					
Interest received		**17**		11	
Interest paid		**(1,006)**		(833)	
			(989)		(822)
Taxation					
UK corporation tax paid		**(1,365)**		(517)	
Overseas tax paid		**(512)**		(998)	
			(1,877)		(1,515)
Capital expenditure					
Purchase of tangible fixed assets		**(3,244)**		(4,342)	
Sale of tangible fixed assets		**23**		13	
			(3,221)		(4,329)
Acquisitions and disposals					
Purchase of subsidiary undertaking		**-**		(2,104)	
Purchase of minority shareholding		**-**		(100)	
Acquisition expenses		**-**		(95)	
Cash acquired with subsidiary undertakings		**-**		93	
Purchase of joint venture		**(1)**		(39)	
			(1)		(2,245)
Equity dividends paid			**(1,641)**		(1,480)
Financing					
Issue of ordinary share capital		**141**		245	
Debt due after one year:					
Increase/(decrease) in net borrowings	23	**3,865**		(1,333)	
			4,006		(1,088)
Increase/(decrease) in cash in the year			**5,099**		(6,041)

Convention
The financial information has been prepared under the historical cost convention and complies with all applicable accounting standards.

Basis of consolidation
The consolidated accounts comprise the accounts of the Company and all its subsidiary undertakings and includes the Group's share of profits or losses of joint ventures and associates. The results of subsidiaries are accounted for in the profit and loss account as from the effective date of acquisition. Where businesses are acquired, any difference between the cost of acquisition and the fair value of the underlying net assets is written-off in the year of acquisition.

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. Annual depreciation rates are 2.5% for freehold buildings, 10% to 33.33% for plant, machinery and equipment, and 25% for motor vehicles. Rentals under operating leases are charged to the profit and loss account as incurred.

Government grants
Grants relating to tangible fixed assets are treated as deferred income and released to the profit and loss account over the expected useful life of the assets. Revenue grants are credited to the profit and loss account in the period in which the related expenditure is incurred.

Stocks and work in progress
Stocks and work in progress are stated at the lower of cost and net realisable value. Cost includes direct materials, labour and an appropriate proportion of manufacturing overhead.

Patents and trade marks
All expenditure on the registration, renewal and maintenance of patents and trade marks is written off as incurred.

Research and development
Technical research and development expenditure is written off as incurred.

Foreign exchange
Assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the end of the financial year. The results of foreign subsidiary undertakings are translated at the average rate for the year.

Differences on exchange arising from the retranslation of the opening net investment in subsidiary undertakings and from the translation of the results of those undertakings at an average rate, are taken to reserves. All other foreign exchange differences are taken to the profit and loss account in the year in which they arise.

Gains and losses on forward foreign exchange contracts, entered into as hedges of future purchases and sales denominated in foreign currency, are carried forward and taken to the profit and loss account on maturity to match the underlying transactions.

Deferred taxation
The Group only provides for deferred taxation where in the opinion of the Directors there is a reasonable probability that a liability for taxation will crystallise in the foreseeable future.

Pensions
Pension costs for the Group's defined benefit pension scheme are charged to the profit and loss account so as to spread the cost of pensions over the service lives of employees in the scheme.

Turnover
Turnover represents amounts invoiced to external customers in the ordinary course of business excluding value added tax.

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

1. Turnover and segmental analysis

The analysis by class of business and geographical segment of the Group's turnover, operating profit and net assets is set out below:

	1998			1997		
	Consumer Division £'000	Filtration Division £'000	Total £'000	Consumer Division £'000	Filtration Division £'000	Total £'000
Turnover by geographical segment						
United Kingdom	**4,094**	**6,535**	**10,629**	4,330	6,015	10,345
Continental Europe	**7,197**	**4,872**	**12,069**	5,609	5,678	11,287
Americas	**11,403**	**19,382**	**30,785**	11,915	21,702	33,617
Asia	**4,814**	**1,114**	**5,928**	8,703	2,901	11,604
Australasia	**207**	**534**	**741**	79	629	708
Africa	**1,497**	**316**	**1,813**	2,564	641	3,205
	29,212	**32,753**	**61,965**	33,200	37,566	70,766
Operating profit						
Continuing operations	**937**	**2,214**	**3,151**	2,877	4,830	7,707
Share of joint venture	**(83)**	**–**	**(83)**	–	–	–
Before exceptional charges	**854**	**2,214**	**3,068**	2,877	4,830	7,707
Exceptional charges	**(2,342)**	**(757)**	**(3,099)**	–	–	–
After exceptional charges	**(1,488)**	**1,457**	**(31)**	2,877	4,830	7,707
Net assets						
Net assets before borrowings	**16,454**	**14,608**	**31,062**	17,702	16,872	34,574
Borrowings			**(10,236)**			(11,392)
			20,826			23,182

It is not practical to analyse the operating profit and net assets by geographical segment.

2. Profit on ordinary activities before taxation

	Note	Group 1998 £'000	Group 1997 £'000
Profit on ordinary activities before taxation is stated after charging/(crediting):			
Staff costs			
Wages and salaries		**15,421**	15,674
Social security costs		**1,965**	1,908
Other pension costs	25	**1,024**	902
		18,410	18,484
Operating lease costs			
Land and Buildings		**426**	385
Plant, machinery and vehicles		**496**	343
		922	728
Net interest payable on bank and other borrowings			
Interest payable on borrowings repayable within five years		**1,024**	861
Interest receivable		**(17)**	(11)
		1,007	850
Depreciation			
Owned assets		**2,695**	2,353
Loss on sale of tangible fixed assets		**30**	1
Income from government grants		**(89)**	(184)
Research and development		**2,079**	2,268

Fees paid to auditors in respect of the Group amounted to £86,000 (1997: £78,000) in respect of audit work, and £119,000 (1997: £35,000) in respect of non-audit work.

Audit fees incurred by the Company amounted to £8,000 (1997: £29,000).

3. Tax on profit on ordinary activities

	Group 1998 £'000	Group 1997 £'000
Taxation on the profit for the year		
UK Corporation tax at 31% (1997: 31.7%)	–	1,265
Deferred tax	**33**	228
Release of UK corporation tax overprovision in respect of prior years	**(319)**	–
Overseas tax payable	**291**	770
	5	2,263

4. Exceptional charges

Exceptional charges represent the costs of restructuring certain parts of the Group's activities – loss making operations have been reorganised or ceased, marginal product lines eliminated and headcount reductions made:

	Group 1998 £'000	Group 1997 £'000
Redundancy and relocation	**1,128**	–
Fixed asset, stock and debtor write-offs	**1,971**	–
	3,099	–

5. Dividends

	Group 1998 £'000	Group 1997 £'000
Dividends on equity shares		
Interim dividend paid	**570**	536
Final dividend proposed	**1,053**	1,071
	1,623	1,607

6. Company profit for the financial year

As permitted by Section 230 of the Companies Act 1985, no profit and loss account is presented for the Holding Company. The loss attributable to the Company which has been dealt with in the accounts is £1,133,000 (1997: loss of £76,000).

7. Directors' emoluments

Detailed disclosures of directors' individual remuneration and share options are given in the Report of the Remuneration Committee on pages 17 and 18.

Retirement benefits are accruing to five directors under the Group's defined benefits schemes.

Emoluments payable to the highest paid director are as follows:

	1998 £'000	1997 £'000
Aggregate emoluments, gains on share options exercised and benefits under long-term incentive schemes	**194**	123
Defined benefit scheme:		
Accrued pension at year end	**40**	32

8. Employees

	1998		1997	
	Average	year end	Average	year end
Consumer division	**331**	**284**	320	341
Filtration division	**387**	**352**	392	398
Head office	**10**	**10**	6	9
	728	**646**	718	748
USA employees included above	**248**	**229**	251	257

9. Earnings per share

The earnings per share as shown in the profit and loss account are calculated by reference to the loss for the financial year and the average number of shares in issue during the year on a time weighted basis of 25,659,245 (1997: 25,534,468).

10. Tangible fixed assets

	Freehold Land and Buildings £'000	Plant, Machinery & Equipment £'000	Assets in Course of Construction £'000	Motor Vehicles £'000	Total £'000
Group					
Cost					
At 1 December 1997	3,006	25,939	2,675	24	31,644
Reclassification	(37)	2,407	(2,370)	–	–
Additions	–	408	2,830	6	3,244
Disposals	–	(49)	(33)	(30)	(112)
Exchange differences	41	108	3	–	152
At 30 November 1998	3,010	28,813	3,105	–	34,928
Depreciation					
At 1 December 1997	487	13,741	–	17	14,245
Charge for year	71	2,620	–	4	2,695
Disposals	–	(38)	–	(21)	(59)
Exchange differences	4	39	–	–	43
At 30 November 1998	562	16,362	–	–	16,924
Net book amount					
At 30 November 1998	2,448	12,451	3,105	–	**18,004**
At 30 November 1997	2,519	12,198	2,675	7	17,399
Company					
Cost					
At 1 December 1997	1,025	19,272	2,002	8	22,307
Additions	–	87	–	–	87
Disposals	(1,025)	(19,108)	(2,002)	(8)	(22,143)
At 30 November 1998	–	251	–	–	251
Depreciation					
At 1 December 1997	305	11,288	–	8	11,601
Charge for year	–	44	–	–	44
Disposals	(305)	(11,200)	–	(8)	(11,513)
At 30 November 1998	–	132	–	–	132
Net book amount					
At 30 November 1998	–	119	–	–	**119**
At 30 November 1997	720	7,984	2,002	–	10,706

	Group 1998 £'000	Group 1997 £'000	Company 1998 £'000	Company 1997 £'000
Capital commitments				
Authorised and contracted for	**2,408**	79	–	38

11. Fixed asset investments

	Other investment £'000	Investment in joint venture £'000	Total £'000
Group			
At cost			
At 1 December 1997	4	39	43
Additions	–	1	1
At 30 November 1998	4	40	44

The Other investment represents a 12.5% trade investment in Phoenix Travel (King's Lynn) Limited, a company which is registered and operates within Great Britain as a travel agency.

The Group owns 49% of Selee de Venezuela ("SDV"), a joint venture which is registered and operates in Venezuela. SDV produces ceramic filters for aluminium casters in South America. The Company's investment in SDV is not assigned a value as a consequence of exchange control and relative political instability.

On 28 February 1997, the Group entered into a joint venture partnership with Austins Marmon Limited to establish Permair Austins Limited, a company incorporated and based in Hong Kong. The company was established to manufacture Permair finished leather to satisfy our customers' demands for a locally produced quality product and to take advantage of this large and growing market. As the Group's share is 50% and both partners exercise joint control, this operation has been accounted for as a joint venture.

At 30 November 1998 the Group's share of the gross assets and liabilities of Permair Austins Limited was £317,000 and £359,000 respectively. The Group's share of the joint venture's losses for the year are included in accruals and deferred income (note 15).

	Shares in Subsidiary Undertakings £'000	Loans to Subsidiary Undertakings £'000	Other investment £'000	Shares in joint venture £'000	Total £'000
Company					
At 1 December 1997	27,592	6,640	4	39	34,275
Additions/(disposals)	–	17,790	–	(39)	17,751
At 30 November 1998	27,592	24,430	4	–	52,026

Additions to shares in subsidiary undertakings and the joint venture are recorded at cost. The investment in the joint venture of £39,000 was transferred to Porvair International Limited at cost on 1 December 1997.

Details of the Group's subsidiary undertakings are given in Note 12.

12. Principal subsidiary undertakings

The results of the Company in the prior year included the activities of Porvair International and Porvair Technology. The principal operating companies are as follows:

	Country of incorporation and operation	% holding
Consumer division		
Porvair International Limited	England	100%
Permair Leathers Inc	USA	95%
Filtration division		
Selee Corporation	USA	100%
Porvair Advanced Materials Inc	USA	100%
Porvair Ceramics Limited	England	100%
Porvair Technology Limited	England	100%
Porvair Sciences Limited	England	100%

13. Stocks

	Group		Company	
	1998 £'000	1997 £'000	**1998 £'000**	1997 £'000
Raw materials and consumables	**5,287**	5,321	**-**	2,322
Work in progress	**1,498**	1,442	**-**	1,035
Finished goods and goods for resale	**6,414**	6,534	**-**	3,340
	13,199	13,297	**-**	6,697

14. Debtors

	Group		Company	
	1998 £'000	1997 £'000	**1998 £'000**	1997 £'000
Trade debtors	**10,461**	16,143	**-**	5,872
Amounts owed by joint venture	**148**	218	**-**	218
VAT recoverable	**96**	452	**2**	452
ACT and corporation tax recoverable	**311**	268	**570**	268
Other debtors	**385**	377	**162**	413
Prepayments	**1,270**	1,285	**67**	316
	12,671	18,743	**801**	7,539

Group prepayments include an amount of £680,000 falling due after more than one year (1997: £526,000).

15. Creditors

	Note	Group 1998 £'000	Group 1997 £'000	Company 1998 £'000	Company 1997 £'000
Amounts falling due within one year					
Bank overdraft (unsecured)		**2,338**	6,166	**536**	1,671
Bank loans	16	**125**	2,104	**-**	1,017
Trade creditors		**7,652**	8,403	**63**	4,213
Taxation and social security		**556**	660	**58**	474
Proposed dividend		**1,053**	1,071	**1,053**	1,071
Accruals & deferred income		**3,334**	2,634	**418**	1,804
Corporation tax		**-**	1,912	**-**	1,462
		15,058	22,950	**2,128**	11,712
Amounts falling due after more than one year					
Bank loans	16	**9,098**	3,216	**8,848**	2,900

16. Bank loans

	Group 1998 £'000	Group 1997 £'000	Company 1998 £'000	Company 1997 £'000
Unsecured ECSC loan repayable by three annual instalments of £125,000 falling due in the period 3 August 1999 to 3 August 2001 (interest at 8.6%)	**375**	500	**-**	500
Unsecured five year revolving multicurrency credit facility of £15 million, maturing July 2003, interest at 0.7% above LIBOR	**8,848**	-	**8,848**	-
Bank loans repaid	**-**	4,820	**-**	3,417
	9,223	5,320	**8,848**	3,917

	Group 1998 £'000	Group 1997 £'000	Company 1998 £'000	Company 1997 £'000
Bank loans and other borrowings of the Group are repayable as follows				
Within one year	**125**	2,104	**-**	1,017
One to two years	**125**	1,332	**-**	1,016
Two to five years	**8,973**	1,884	**8,848**	1,884
	9,223	5,320	**8,848**	3,917

17. Provisions for liabilities and charges

Deferred tax provided for in the accounts and the total potential liability including amounts for which provision has been made are as follows:

	Amount provided		Total potential liability	
	Group 1998 £'000	Group 1997 £'000	**Group 1998 £'000**	Group 1997 £'000
Accelerated capital allowances	**–**	–	**1,930**	2,473
Short-term timing differences				
Provisions	**–**	–	**(68)**	(264)
Other	**261**	228	**261**	228
	261	228	**2,123**	2,437

18. Called up share capital

	Group		Company	
	1998 £'000	1997 £'000	**1998 £'000**	1997 £'000
Authorised				
Ordinary shares of 2p each (1997: 34,400,000 ordinary shares)	**688**	688	**688**	688
Allotted and fully paid				
25,683,073 ordinary shares of 2p each (1997: 25,611,590 ordinary shares)	**514**	512	**514**	512

Movements in the number of ordinary shares during the year were:

At 1 December 1997	25,611,590
Shares issued as fully paid	
On exercise of options	71,483
At 30 November 1998	25,683,073

	Number of shares	Subscription price
Options exercised during the year were	26,475	127.48p
	42,890	236.08p
	2,118	269.13p
	71,483	

Share options

The following options over ordinary shares granted under the Porvair Share Option Scheme 1986 and the Porvair Executive Share Option Scheme 1997 remain outstanding at 30 November 1998.

Number of shares	Subscription price	Exercise period
20,593	127.48p	1995-2002
69,009	236.08p	1996-2003
37,065	269.13p	1997-2004
333,000	413.00p	1999-2006
93,000	299.00p	2000-2007
50,000	352.5p	2001-2008
100,000	367.5p	2001-2008

Movements in share options during the year were:

	Number
At 1 December 1997	700,445
Options granted	150,000
Options exercised	(71,483)
Options lapsed	(76,295)
At 30 November 1998	702,667

	Number of shares	Subscription price
Options lapsed during the year were:	5,295	236.08p
	20,000	299.00p
	51,000	413.00p
	76,295	

19. Reserves

	Share premium account £'000	Profit and loss account £'000
Group		
At 1 December 1997	1,072	16,811
Premium on shares issued	139	–
Retained for year	–	(2,656)
At 30 November 1998	1,211	14,155
Company		
At 1 December 1997	1,072	41,963
Premium on shares issued	139	–
Retained for year	–	(2,756)
At 30 November 1998	1,211	39,207

20. Other reserves

	Special Reserve £'000	Exchange Reserve £'000	Capital Reserve £'000	Total £'000
Group				
At 1 December 1997	4,102	(316)	951	4,737
Exchange difference on retranslation of net assets of subsidiary undertakings	–	171	–	171
At 30 November 1998	4,102	(145)	951	4,908
Company				
At 1 December 1997		115	951	1,066
Exchange difference on retranslation of foreign borrowings		(28)	–	(28)
At 30 November 1998		87	951	1,038

The cumulative consolidated goodwill written off to reserves amounts to £29,904,000.

21. Reconciliation of operating profit to net cash inflow from operating activities

	1998 £'000	1997 £'000
Operating (loss)/profit	**(31)**	7,707
Depreciation	**2,695**	2,353
Loss on sale of fixed assets	**30**	1
Decrease/(increase) in stocks	**187**	(1,211)
Decrease/(increase) in debtors	**5,932**	(2,882)
Increase/(decrease) in creditors	**9**	(530)
Net cash inflow from operating activities	**8,822**	5,438

22. Reconciliation of net cash flow to movement in net funds

	1998 £'000	1997 £'000
Increase in cash in the period	**5,099**	(6,041)
Decrease/(increase) in debt and lease financing	**(3,865)**	1,333
Change in net debt from cash flows	**1,234**	(4,708)
Translation difference	**(78)**	(1)
Movements in net debt in period	**1,156**	(4,709)
Opening net debt	**(11,392)**	(6,683)
Closing net debt	**(10,236)**	(11,392)

23. Analysis of net debt

	30/11/97 £'000	Cash flow £'000	Other Non-cash £'000	Exchange Movement £'000	30/11/98 £'000
Cash in hand and at bank	94	1,229	–	2	**1,325**
Overdrafts	(6,166)	3,870	–	(42)	**(2,338)**
		5,099			
Debt due after 1 year	(3,216)	–	(5,882)	–	**(9,098)**
Debt due within 1 year	(2,104)	(3,865)	5,882	(38)	**(125)**
		(3,865)			
Total	(11,392)	1,234	–	(78)	**(10,236)**

24. Operating lease commitments

The Group is committed to the following rentals during next year on operating leases expiring:

	Group 1998		Group 1997	
	Land & Buildings £'000	Other £'000	Land & Buildings £'000	Other £'000
Within one year	**7**	**57**	–	103
Within two to five years	**193**	**363**	–	268
Over five years	**412**	**–**	182	–
	612	**420**	182	371

25. Pension costs

The Group operates a funded defined benefit pension scheme covering the majority of employees. The pension scheme is financed through a separate trust fund administered by Trustees with an independent Chairman.

Formal valuations of the pension scheme by an independent professionally qualified actuary are carried out at least every three years using the projected unit method. The latest actuarial valuation was at 1 April 1997. For the purposes of assessing pension costs under SSAP24, the principal actuarial assumptions adopted in that valuation were that over the long term, the return on investments would be 9.5% per annum, that salary increases would average 6.0% per annum plus a promotional scale and that future pensions would be limited to those provided on a statutory basis. The actuarial value of the assets on the funding basis was sufficient to cover only 90% (1997: 90%) of the benefits that had accrued to members after allowing for expected future increases in pensionable remuneration, and the current funding deficiency amounted to £924,000. The employer contributions were 15% and employee contributions 6%. The ongoing funding status of the plan is expected to reach 100% in 3 years.

The UK pension charge for the year was £812,000 (1997: £627,000); the funding via employer contributions was £1,152,000 (1997: £967,000). The market value of the scheme's assets (including AVC assets) at 31 March 1998 was £13.1m (1997: £10.1m).

For its US employees, the Group operates a defined contribution pension plan (the "Pension Plan") covering all eligible full-time employees. The employer contributes 3% of each participant's compensation each year to the Pension Plan. In 1998 this amounted to £212,000 (1997: £275,000).

ELEVEN YEAR SUMMARY

	1998 £'000	1997 £'000	1996 £'000	1995 £'000	1994 £'000	1993 £'000	1992 £'000	1991 £'000	1990 £'000	1989 £'000	1988 £'000
Profit and loss account											
Turnover	**61,965**	70,766	55,427	39,924	24,832	21,893	17,947	16,663	15,535	12,699	12,125
Profit before taxation	**(1,038)***	6,857	4,151	5,120	3,105	2,551	2,017	1,677	1,511	758	1,352
Taxation	**(5)**	(2,263)	(1,385)	(1,568)	(870)	(561)	(388)	(347)	(109)	–	–
Profit after taxation	**(1,043)**	4,594	2,766	3,552	2,235	1,990	1,629	1,330	1,402	758	1,352
Equity minority interests	**10**	(9)	(8)	(10)	8	39	77	–	–	–	–
Profit for the financial year	**(1,033)**	4,585	2,758	3,542	2,243	2,029	1,706	1,330	1,402	758	1,352
Dividends	**(1,623)**	(1,607)	(1,428)	(1,191)	(742)	(648)	(553)	(404)	(364)	(326)	(235)
Retained profits	**(2,656)**	2,978	1,330	2,351	1,501	1,381	1,153	926	1,038	432	1,117
Earnings per share	**(4.0)p**	18.0p	11.0p	18.0p	13.7p	12.5p	11.0p	9.9p	10.5p	5.8p	12.1p
Dividends per share	**6.4p**	6.2p	5.6p	5.4p	4.5p	4.2p	3.6p	3.2p	2.9p	2.6p	1.7p
Balance sheet											
Fixed assets	**18,048**	17,442	15,411	16,189	10,194	9,296	8,842	8,251	7,715	6,006	5,086
Current assets	**27,195**	32,134	26,539	25,709	13,631	11,053	10,621	8,756	8,386	6,881	5,851
	45,243	49,576	41,950	41,898	23,825	20,349	19,463	17,007	16,101	12,887	10,937
Current liabilities	**(15,058)**	(22,950)	(14,636)	(15,048)	(8,528)	(6,393)	(6,462)	(5,656)	(5,385)	(4,398)	(2,673)
	30,185	26,626	27,314	26,850	15,297	13,956	13,001	11,351	10,716	8,489	8,264
Long-term liabilities	**(9,098)**	(3,216)	(5,320)	(3,903)	(1,250)	(1,400)	(1,130)	(1,429)	(1,744)	(558)	–
Provision for liabilities and charges	**(261)**	(228)	–	–	(60)	(84)	(690)	–	–	–	(770)
	20,826	23,182	21,994	22,947	13,987	12,472	11,181	9,922	8,972	7,931	7,494
Capital and reserves											
Called up share capital	**514**	512	510	492	309	308	307	245	242	242	240
Share premium account	**1,211**	1,072	829	31,559	5,866	5,845	5,804	2,609	2,588	2,585	2,582
Shares to be issued	**–**	–	–	3,868	–	–	–	–	–	–	–
Other reserves	**4,908**	4,737	6,822	(25,463)	(2,279)	951	951	951	951	951	951
Profit and loss account	**14,155**	16,811	13,833	12,503	10,152	5,421	4,185	6,117	5,191	4,153	3,721
Total equity shareholders' funds	**20,788**	23,132	21,994	22,959	14,048	12,525	11,247	9,922	8,972	7,931	7,494
Equity minority interest	**38**	50	–	(12)	(61)	(53)	(66)	–	–	–	–
	20,826	23,182	21,994	22,947	13,987	12,472	11,181	9,922	8,972	7,931	7,494

*After exceptional charges of £3,099,000.

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at The Assembly Rooms, King's Lynn Town Hall, Saturday Market Place, King's Lynn, Norfolk, PE30 1HY on Tuesday 13 April 1999 at 12 noon for the transaction of the following business:

Ordinary Business

1. To receive and consider the Directors' Report and audited accounts for the year ended 30 November 1998.

2. To consider and declare a final dividend on the Ordinary Shares.

3. To re-elect Mr J M Morgan as a Director of the Company.

4. To re-elect Mr L G Bingham as a Director of the Company.

5. To re-appoint PricewaterhouseCoopers as auditors of the Company and to authorise the Directors to fix their remuneration.

   To consider and, if thought fit, pass Resolutions 6 and 7 which will be proposed as an Ordinary Resolution and a Special Resolution respectively:

6. THAT for the purposes of Section 80 of the Companies Act 1985 (and so that expressions used in this Resolution shall bear the same meanings as in the said Section 80):

   (i) the Directors be and are hereby generally and unconditionally authorised to exercise all powers of the Company to allot relevant securities up to a maximum nominal amount of £171,220.48, being one-third of the share capital currently in issue, to such persons and at such times and on such terms as they think proper during the period expiring on 12 April 2004;

   (ii) the Company be and is hereby authorised to make prior to the expiry of such period any offer or agreement which would, or might require relevant securities to be allotted after the expiry of the said period and the Directors may allot relevant securities in pursuance of any such offer or agreement notwithstanding the expiry of the authority given by this Resolution;

   so that the previous authority of the Directors pursuant to the said Section 80 given on 8 April 1998 be and is hereby revoked.

7. THAT, subject to the passing of Resolution 6 set out in the Notice convening this meeting, the Directors be and are empowered in accordance with Section 95 of the Companies Act 1985 (the "Act") to allot equity securities (as defined in Section 94 of the Act) pursuant to the authority conferred on them to allot relevant securities (as defined in Section 80 of the Act) as if sub-section 89(1) of the Act did not apply to such allotment and references in this Resolution to the allotment of equity securities shall include references to the grant of a right to subscribe for, or to convert any securities into, relevant shares (as defined in Section 94 of the Act), provided that this power shall be limited:

   (i) to the allotment of equity securities in connection with an issue or offering in favour of holders of equity securities and any other persons entitled to participate in such issue or offering where the equity securities respectively attributable to the interests of such holders and persons are proportionate (as nearly as may be) to the respective numbers of equity securities held by or deemed to be held by them on the record date of such allotment subject only to such exclusions or other arrangements as the Directors may consider necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws or requirements of any recognised regulatory body in any territory;

   (ii) the allotment (otherwise than pursuant to paragraph (i) above) of equity securities up to an aggregate nominal value not exceeding £25,683.07;

and this power shall expire, unless renewed or earlier revoked, on 12 April 2004 but shall extend to the making, before such expiry, of an offer or agreement which would, or which might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

Special Business

8. To consider and, if thought fit, to pass the following Resolution which will be proposed as a Special Resolution:

   THAT the Company be and is hereby generally and unconditionally authorised to make market purchases (within the meaning of section 163(3) of the Companies Act 1985) of any of its ordinary shares of 2p each at any time or times but so that:

   (a) the maximum number of ordinary shares hereby authorised to be acquired is 2,568,307;

   (b) the minimum price under this authority (excluding expenses) which may be paid for any ordinary shares shall be 2p, being the nominal value of the share;

   (c) the maximum price (excluding expenses) under this authority which may be paid for any ordinary share shall not be more than five per cent above the average of the middle market quotations for an ordinary share of 2p of the Company taken from the Daily Official List of The London Stock Exchange Limited for the last five business days in respect of which such Daily Official List is published immediately preceding the day on which the purchase is made;

   (d) this authority shall (unless previously renewed or revoked) expire on the conclusion of the next Annual General Meeting of the Company; and

   (e) the Company may, before expiry of this authority, make contracts for such purchases which would, or might, be executed wholly or partly after such expiry and may make a purchase in pursuance of such contract.

By order of the Board
K J Symonds
Secretary
8 March 1999

Notes:

1 A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend, and on a poll, vote in his stead. A proxy need not also be a member.

2 Copies of Directors' service contracts with the Company will be available for inspection at the Company's registered office in Riverside Industrial Estate, Estuary Road, King's Lynn, Norfolk, PE30 2HS, during normal business hours from the date of this notice until the date of the Annual General Meeting.

FINANCIAL CALENDAR

23 February 1999	*Preliminary announcement of 1998 results*
15 March 1999	Ex-dividend date for final dividend on ordinary shares
19 March 1999	Closure of share register for final dividend on ordinary shares
13 April 1999	Annual General Meeting
15 April 1999	Payment of final dividend on ordinary shares
31 May 1999	*Financial half year end*
July 1999	Announcement of interim results
September 1999	Payment of interim dividend on ordinary shares
30 November 1999	Financial year end

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