Porvair PLC. 1661935

The directors are pleased to present their annual report and the audited accounts of the Group for the year ended 30 November 2002.

Review of business, principal activities and results
The business is reviewed in the Chairman's statement on page 1, and the operating and financial review on pages 3 to 8. Likely future developments in the business are also to be found in those sections.

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

Dividends
An interim dividend of 2.4p per share was paid on 13 September 2002. The directors recommend the payment of a final dividend of 4.3p per share on 7 April 2003 to shareholders on the register on 14 March 2003. This makes a total dividend for the year of 6.7p per share (2001: 6.7p).

Directors and their interests
The names and biographical details of the directors are set out on page 18.

In accordance with the Articles of Association Mr Michael Gatenby, appointed to the Board on 25 June 2002, offers himself for election for the first time. Also Mr Ben Stocks retires by rotation and being eligible, offers himself 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 14 to 15. 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 £5.9m (2001: £5.2m). 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 two years, as explained elsewhere in this document, spending on research and development has been increased from a historical level of between 3% and 4% of Group turnover.

Substantial shareholders
As at 22 January 2003 the Company has been notified of the following substantial shareholdings:

	Ordinary shares	Percentage
Schroder Investment Management	6,864,100	18.7
ISIS Asset Management	4,234,254	11.5
Insight Investment Management	2,858,245	7.8
Henderson Global Investors	2,242,872	6.1
Edinburgh Fund Managers	1,640,150	4.5
Axa Investment Managers	1,540,000	4.2
Fleming Mercantile Investment Trust plc	1,500,000	4.1
M&G Investment Managers	1,320,000	3.6
Deutsche Asset Management	1,215,261	3.3
Graphite Enterprise Trust PLC	1,164,610	3.2
Legal & General Fund Managers	1,157,269	3.1
Laminvest NV	1,136,473	3.1

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 performances of the Group. Employee consultative committees regularly meet to ensure that management obtain 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 its environmental responsibilities. The Group Health, Safety and Environmental Policy is published on the website and on page 10 of this Report.

Applications for employment by disabled persons are always considered in full 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 all other employees.

Donations
The Group made charitable donations of £16,000 during the year (2001: £23,000). There were no political donations.

Annual General Meeting
At the Annual General Meeting of the Company, to be held on Tuesday 25 March 2003, Notice of which is set out at the end of this document, the directors' existing authority to issue shares will be renewed. In addition there will be three items of special business; Resolution 8 which concerns an authority for the purchase by the Company of its own shares; Resolution 9 which seeks shareholders' approval for the proposed introduction of an Inland Revenue approved savings-related share option scheme; and Resolution 10 which seeks approval of the Remuneration Report of the executive directors.

The Board considers that participation in a savings-related share scheme will assist with incentivising employees, is in their longer-term interests and encourages share ownership by them. The principal features of the proposed scheme are set out on pages 42 to 43. The vote on the Remuneration Report is an 'advisory vote' under the recently issued Schedule 7A to the Companies Act 1985. These new Regulations will require the Company next year to include certain additional details in the Remuneration Report and will require the Report to be submitted to a shareholder vote. The Company has not this year adopted all of these new requirements in the Remuneration Report but will nevertheless put the Report to an advisory vote. Full details of all the Resolutions to be proposed are set out on pages 40 to 41.

Resolutions 6 and 7 concern the directors' authority to allot equity securities and renew authorities taken at the Annual General Meeting in 2002. If Resolution 6 is passed, the directors will be unconditionally authorised to allot relevant securities up to a maximum nominal amount of £245,353 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 £36,803 (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 continues to 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 3,680,301, 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. Options which have been granted over 1,035,699 ordinary shares in the capital of the Company were outstanding as at 22 January 2003 (being the latest practicable date prior to publication of this report) representing 2.81% of the issued share capital of the Company as at that date. If the directors were to exercise in full the power for which they are seeking authority under this resolution, the options outstanding as at 22 January 2003 would represent 3.13% of the ordinary share capital in issue following such exercise.

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 at 30 November 2002 were 51 days (2001: 50 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.

Going concern
The directors of Porvair after having made appropriate enquiries, including a review of the Group's budget for 2003 and its medium term plans, have a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing these accounts.

Auditors
Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, a resolution to appoint the new firm PricewaterhouseCoopers LLP, as auditors to the Company, will be proposed at the Annual General Meeting.

By order of the Board
Mark Moran
22 January 2003

We have audited the financial statements which comprise the consolidated profit and loss account, the balance sheets, the consolidated cash flow statement, the reconciliation of movements in equity shareholders' funds, the statement of total recognised gains and losses and the related notes including the additional disclosures in the Report of the Remuneration Committee (specified for our review by the Financial Services Authority) which have been prepared under the historical cost convention and the accounting policies set out in the statement of accounting policies.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the directors' report.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, United Kingdom Auditing Standards issued by the Auditing Practices Board and the Listing Rules of the Financial Services Authority. This report, including the opinion, has been prepared for, and only for, the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises the directors' report, the Chairman's statement, the operating and financial review, the report of the remuneration committee and the corporate governance statement.

We review whether the corporate governance statement reflects the Group's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

Basis of audit 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 financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group'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 financial statements 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 financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group at 30 November 2002 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 PricewaterhouseCoopers

Chartered Accountants and Registered Auditors
Leeds
22 January 2003

For the year ended 30 November 2002	Note	**Group 2002 £'000**	Before exceptional items £'000	Exceptional items (note 4) £'000	Group 2001* £'000
Turnover					
Continuing operations (including share of joint venture)	1	**68,485**	72,267	–	72,267
Less: share of joint venture		**(153)**	(808)	–	(808)
		68,332	71,459	–	71,459
Cost of sales		**(46,330)**	(47,661)	(2,608)	(50,269)
Gross profit		**22,002**	23,798	(2,608)	21,190
Distribution costs		**(1,892)**	(1,722)	(507)	(2,229)
Research and development expense	2	**(5,867)**	(5,151)	–	(5,151)
Administrative – other		**(16,009)**	(14,452)	(913)	(15,365)
Administrative expenses		**(21,876)**	(19,603)	(913)	(20,516)
Group operating profit/(loss) before joint venture and associated undertaking		**(1,766)**	2,473	(4,028)	(1,555)
Share of operating profit/(loss) of joint venture		**(94)**	40	–	40
Share of operating profit of associated undertaking		**181**	–	–	–
Total group operating profit/(loss)		**(1,679)**	2,513	(4,028)	(1,515)
Exceptional profit on part disposal in subsidiary undertaking		**–**	–	90	90
Interest payable (net)	2	**(451)**	(1,259)	(425)	(1,684)
Profit/(loss) on ordinary activities before taxation		**(2,130)**	1,254	(4,363)	(3,109)
Profit/(loss) on ordinary activities before taxation		**(2,130)**	1,254		
Add back goodwill amortisation	10	**2,299**	2,515		
Profit on ordinary activities before taxation and goodwill amortisation		**169**	3,769		
Tax on profit/(loss) on ordinary activities	3	**352**	(1,186)	1,761	575
Profit/(loss) on ordinary activities after taxation		**(1,778)**	68	(2,602)	(2,534)
Equity minority interests		**(101)**	(150)	–	(150)
Loss attributable to shareholders		**(1,879)**	(82)	(2,602)	(2,684)
Dividends	5	**(2,467)**	(2,467)	–	(2,467)
Retained loss for the financial year	21	**(4,346)**	(2,549)	(2,602)	(5,151)
Earnings/(losses) per share					
– basic and diluted	9	**(5.1)p**			(8.7)p
– basic and diluted before goodwill amortisation and exceptional items	9	**0.6p**			7.8p

* Cost categorisation restated for comparability – see note 2.

RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

For the year ended 30 November 2002	Group 2002 £'000	Group 2001 £'000	Company 2002 £'000	Company 2001 £'000
Profit/(loss) attributable to shareholders	**(1,879)**	(2,684)	**5,697**	179
Dividends	**(2,467)**	(2,467)	**(2,467)**	(2,467)
Retained profit/(loss) for the year	**(4,346)**	(5,151)	**3,230**	(2,288)
New share capital subscribed	**–**	27,569	**–**	27,569
Exchange differences	**(613)**	(420)	**(9)**	(275)
Net increase/(decrease) in equity shareholders' funds	**(4,959)**	21,998	**3,221**	25,006
Opening equity shareholders' funds	**63,333**	41,335	**57,865**	32,859
Closing equity shareholders' funds	**58,374**	63,333	**61,086**	57,865

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 30 November 2002	Group 2002 £'000	Group 2001 £'000	Company 2002 £'000	Company 2001 £'000
Profit/(loss) attributable to shareholders	**(1,879)**	(2,684)	**5,697**	179
Exchange differences	**(613)**	(420)	**(9)**	(275)
Total gains/(losses) recognised in the year	**(2,492)**	(3,104)	**5,688**	(96)

As at 30 November 2002	Note	Group 2002 £'000	Group 2001 £'000	Company 2002 £'000	Company 2001 £'000
Fixed assets					
Goodwill	10	**33,349**	35,940	**–**	–
Tangible assets	11	**20,734**	22,020	**27**	45
Investments					
Investments in subsidiary undertakings	12	**–**	–	**75,054**	72,418
Investment in joint venture:					
– share of gross assets		**–**	369		
– share of gross liabilities		**–**	(275)		
	12	**–**	94	**–**	–
Investment in associated undertaking	12	**2,348**	2,192	**–**	–
		56,431	60,246	**75,081**	72,463
Current assets					
Stocks	14	**14,661**	14,892	**–**	–
Debtors falling due after more than one year	15	**3,178**	3,247	**–**	–
Debtors falling due within one year	15	**16,616**	15,559	**210**	42
		19,794	18,806		
Cash at bank and in hand		**3,261**	2,548	**3,603**	–
		37,716	36,246	**3,813**	42
Creditors					
Amounts falling due within one year	16	**(28,442)**	(15,713)	**(17,818)**	(4,472)
Net current assets/(liabilities)		**9,274**	20,533	**(14,005)**	(4,430)
Total assets less current liabilities		**65,705**	80,779	**61,076**	68,033
Creditors					
Amounts falling due after more than one year	16	**–**	(10,346)	**–**	(10,298)
Provisions for liabilities and charges	19	**(2,455)**	(2,201)	**10**	130
Net assets		**63,250**	68,232	**61,086**	57,865
Capital and reserves					
Called up share capital	20	**736**	736	**736**	736
Share premium account	21	**28,679**	28,679	**28,679**	28,679
Other reserves	22	**4,329**	4,942	**(217)**	(208)
Profit and loss account	21	**24,630**	28,976	**31,888**	28,658
Total equity shareholders' funds		**58,374**	63,333	**61,086**	57,865
Equity minority interests		**4,876**	4,899	**–**	–
		63,250	68,232	**61,086**	57,865

Approved by the Board on 22 January 2003
B D W Stocks, Director
M Moran, Director

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30 November 2002	Note		Group 2002 £'000		Group 2001 £'000
Net cash inflow from operating activities	23		**2,798**		4,882
Returns on investments and servicing of finance					
Interest received		**104**		25	
Interest paid		**(368)**		(1,100)	
Exceptional finance costs		**–**		(425)	
			(264)		(1,500)
Taxation					
UK corporation tax paid		**(660)**		(830)	
Overseas tax (paid)/refunded		**327**		(649)	
			(333)		(1,479)
Capital expenditure					
Purchase of tangible fixed assets		**(3,070)**		(3,233)	
Sale of tangible fixed assets		**77**		16	
			(2,993)		(3,217)
Acquisitions					
Acquisition of associate investment		**–**		(2,192)	
Acquisition of subsidiaries		**–**		(19,050)	
			–		(21,242)
Equity dividends paid			**(2,467)**		(1,990)
Net cash outflow before financing			**(3,259)**		(24,546)
Financing					
Issue of ordinary share capital		**–**		28,771	
Expenses of Rights Issue		**–**		(1,202)	
Increase/(decrease) in net borrowings	25	**4,105**		(1,198)	
			4,105		26,371
Increase in cash in the year	25		**846**		1,825

Convention
The financial information has been prepared under the historical cost convention, complies with all applicable accounting standards in the UK, The Companies Act (1985) and the requirements of the Financial Services Authority and has been applied consistently with the prior year.

Basis of consolidation
The consolidated accounts incorporate the accounts of Porvair plc and its subsidiary undertakings made up to 30 November 2002, and include the Group's share of the profits or losses of joint ventures and associated undertakings. Associated undertakings are those companies in which the Group has a beneficial interest of between 20% and 50% in the equity capital and where the Group exercises significant influence over commercial and financial policy. The consolidated balance sheet includes the Group's share of the underlying net tangible assets of associated undertakings and joint ventures. The results of subsidiary undertakings acquired or sold during the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of sale, as appropriate.

Intangible assets – goodwill
Purchased goodwill, representing the excess of the fair value of the purchase consideration over the fair value of the net tangible assets acquired, is capitalised as an intangible asset and amortised through the profit and loss account over its useful economic life. Capitalised goodwill is amortised over periods between 5 and 20 years on a straight line basis.

The gain or loss on the disposal of a subsidiary or associated undertaking is calculated by comparing the carrying value of the net assets sold, including any unamortised goodwill, with the proceeds received.

Tangible fixed assets
Tangible 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.

Impairment of assets
Assets are regularly reviewed to confirm the adequacy of their carrying values. Where the expected realisable value is lower than the book value, the excess of book value is charged to profits during the period.

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.

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

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 overheads.

Leased assets
Financing leases, which transfer substantially all the risks and rewards of ownership of the asset to the lessee, are capitalised and depreciated over the term of the related lease. The related finance cost is charged to interest cost. Operating lease rentals are charged to profit as incurred.

Turnover
Turnover represents amounts invoiced to external customers in the ordinary course of business. Non-refundable licence fees are recognised immediately, other licence fees are recognised when earned on an accruals basis. Long-term contracts are recognised on a progressive basis with profit taken in proportion to the stage of completion of the work.

Patents and trade marks
All expenditure on the registration, renewal and maintenance of patents and trade marks is expensed.

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 borrowings used to finance these equity investments are taken to reserves.

All other foreign exchange differences are taken to the profit and loss account in the year in which they arise.

Financial instruments
The Group uses derivative financial instruments to hedge its exposures to fluctuations in foreign exchange rates. Instruments accounted for as hedges are designated as a hedge at the inception of contracts.

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 provides for deferred taxation on a full provision basis where an obligation has arisen which will crystallise in future periods.

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

1. Turnover and segmental analyses

The geographical analyses of the Group's turnover, operating profit and net assets are set out below:

	2002 By destination £'000	2002 By origin £'000	2001 By destination £'000	2001 By origin £'000
Turnover				
United Kingdom	**18,731**	**43,145**	16,241	42,787
Continental Europe	**11,786**	**-**	11,559	-
Americas	**28,013**	**25,187**	32,812	28,672
Asia	**6,638**	**153**	8,501	808
Australasia	**946**	**-**	596	-
Africa	**2,371**	**-**	2,558	-
	68,485	**68,485**	72,267	72,267
Less: share of joint venture	**(153)**	**(153)**	(808)	(808)
	68,332	**68,332**	71,459	71,459

	2002 £'000	2001 £'000
Segmental analyses		
(i) Turnover		
Metals Filtration	**21,489**	23,292
Microfiltration	**27,130**	21,091
Membranes	**19,080**	27,468
Fuel Cells	**786**	416
	68,485	72,267

	2002 Before goodwill £'000	2002 Goodwill £'000	2002 Operating profit after goodwill £'000	2001 Before goodwill £'000	2001 Goodwill £'000	2001 Operating profit after goodwill £'000
*(ii) Operating profit/(loss)**						
Metals Filtration	**(794)**	**(1,237)**	**(2,031)**	2,432	(1,212)	1,220
Microfiltration	**3,224**	**(1,062)**	**2,162**	2,753	(743)	2,010
Membranes	**510**	**-**	**510**	2,030	(560)	1,470
Fuel Cells	**(2,320)**	**-**	**(2,320)**	(2,187)	-	(2,187)
	620	**(2,299)**	**(1,679)**	5,028	(2,515)	2,513

* 2001 before exceptional items.

	2002 Before goodwill £'000	2002 Goodwill £'000	2002 Net assets including goodwill £'000	2001 Before goodwill £'000	2001 Goodwill £'000	2001 Net assets including goodwill £'000
(iii) Net assets						
Metals Filtration	**10,161**	**15,584**	**25,745**	12,847	17,037	29,884
Microfiltration	**14,472**	**17,765**	**32,237**	13,127	18,903	32,030
Membranes	**19,585**	**-**	**19,585**	19,226	-	19,226
Fuel Cells	**1,214**	**-**	**1,214**	830	-	830
	45,432	**33,349**	**78,781**	46,030	35,940	81,970
Taxation			**(2,160)**			(2,798)
Dividend payable			**(1,583)**			(1,583)
Net borrowings			**(11,788)**			(9,357)
			63,250			68,232

The analysis of operating profit/(loss) is provided as it represents a clearer presentation of the businesses' performance.

2. Profit/(loss) on ordinary activities before taxation

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

	Note	Group 2002 £'000	Group 2001 £'000
Staff costs			
Wages and salaries		**20,422**	19,249
Social security costs		**2,945**	2,476
Other pension costs	27	**936**	825
		24,303	22,550
Operating lease costs			
Land and buildings		**840**	631
Plant, machinery and vehicles		**459**	486
		1,299	1,117
Net interest payable on bank and other borrowings			
Interest payable on bank loans and overdrafts		**555**	1,305
Exceptional finance charges		**-**	425
Interest receivable		**(104)**	(46)
		451	1,684
Depreciation of owned assets		**3,512**	3,222
Loss on sale of tangible fixed assets		**44**	116
Income from government grants		**(223)**	(78)
Research and development		**5,867**	5,151

Research and development is a substantial cost within the consolidated results. To aid understanding it has been reanalysed and separated from other costs within the profit and loss account, both in this year and the comparative figures. Cost of sales and distribution costs in 2001 included research and development costs of £4,618,000 and £10,000 respectively. At the same time, in order to present consistency of cost-types across Group companies, the 2001 comparative cost of sales and distribution costs have been reduced by £111,000 and £1,194,000 respectively, with 'administrative – other' being increased by a resultant £1,305,000.

Fees paid to the auditors by the Group in respect of audit work amounted to £100,000 (2001: £100,000) and £86,000 in respect of non-audit work (2001: £473,000). Taxation fees within the non-audit work amounted to £76,000 (2001: £61,000). Audit fees incurred by the Company amounted to £11,000 (2001: £8,000).

3. Tax on profit/(loss) on ordinary activities

	Group 2002 £'000	Group 2001 £'000
(a) Taxation on the profit/(loss) for the year		
UK corporation tax at 30% (2001: 30%)		
Current period tax	**(1,111)**	(320)
Adjustments in respect of previous periods	**269**	502
Total UK current tax	**(842)**	182
Overseas tax receivable/(payable)	**1,499**	(113)
Tax on share of profits of associated company	**(51)**	–
Total current tax (see (b))	**606**	69
Deferred tax	**(254)**	506
Tax credit on loss on ordinary activities	**352**	575
(b) Reconciliation of current tax charge to result for the period		
Loss on ordinary activities before tax	**(2,130)**	(3,109)
Expected corporation tax credit at the standard UK rate (30%)	**639**	933
Differences arising explained by		
– amortisation of goodwill	**(690)**	(755)
– other permanent differences	**(197)**	(159)
– accelerated capital allowances and other timing differences	**254**	(506)
– adjustments to tax charge in respect of previous period	**405**	502
– other items, including rate differences relating to overseas tax jurisdictions	**195**	54
Total current tax on loss on ordinary activities (see (a))	**606**	69

4. Exceptional items

In 2001 the Group incurred exceptional charges due to simplification of the membranes operation, in relation to the newly created Porvair Filtration Group, and other additional acquisition costs.

5. Dividends

	Group 2002 £'000	Group 2001 £'000
Dividends on equity shares		
Interim dividend paid – 2.4p (2001: 2.4p)	**884**	884
Final dividend proposed – 4.3p (2001: 4.3p)	**1,583**	1,583
	2,467	2,467

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 profit attributable to the Company which has been dealt with in the accounts is £5,697,000 (2001: £179,000).

7. Directors' emoluments

Detailed disclosures of directors' individual remuneration and share options are given in the report of the remuneration committee on pages 14 to 15.

8. Employees

	2002		2001	
	Average	**Year end**	Average	Year end
Metals Filtration	**203**	**190**	221	212
Microfiltration	**340**	**340**	252	333
Membranes	**236**	**224**	250	244
Fuel Cells	**32**	**38**	22	24
Head office	**9**	**7**	9	9
	820	**799**	754	822
North American employees included above	**256**	**249**	269	258

9. Earnings per share

The basic earnings per share as shown in the profit and loss account are calculated by reference to the profit attributable to shareholders and the average number of shares in issue during the year on a time weighted basis of 36,803,011 (2001: 31,042,605). For the diluted earnings per share, the weighted average number of ordinary shares is adjusted to assume conversion of all dilutive potential share options outstanding at the year end. As noted in the table on page 8, the earnings per share before goodwill amortisation and exceptionals has been calculated by adding back goodwill of £2,091,000 (2001: goodwill and exceptionals of £5,117,000) to losses after tax attributable to shareholders of £1,879,000 (2001: £2,684,000).

10. Goodwill

	Group 2002 £'000	Group 2001 £'000
Cost		
At beginning of the year	**50,206**	30,322
Additions*	**(79)**	19,884
Exchange differences	**(234)**	–
At end of the year	**49,893**	50,206
Amortisation		
At beginning of the year	**(14,266)**	(11,723)
Charge for year	**(2,299)**	(2,515)
Exchange differences	**21**	(28)
At end of the year	**(16,544)**	(14,266)
Net book value at end of the year	**33,349**	35,940

* The movement in additions during the year relates to reassessment of the fair values of assets purchased as part of the acquisitions in 2001.

11. Tangible fixed assets

	Freehold land and buildings £'000	Assets in course of construction £'000	Plant, machinery & equipment £'000	Total £'000
Group				
Cost				
At 1 December 2001	4,172	1,827	41,230	47,229
Reclassification	23	(2,581)	2,558	–
Additions	31	2,555	484	3,070
Disposals	–	–	(990)	(990)
Exchange differences	(191)	(63)	(824)	(1,078)
At 30 November 2002	**4,035**	**1,738**	**42,458**	**48,231**
Depreciation				
At 1 December 2001	(807)	–	(24,402)	(25,209)
Charge for year	(101)	–	(3,411)	(3,512)
Disposals	–	–	795	795
Exchange differences	41	–	388	429
At 30 November 2002	**(867)**	**–**	**(26,630)**	**(27,497)**
Net book value				
At 30 November 2002	**3,168**	**1,738**	**15,828**	**20,734**
At 1 December 2001	3,365	1,827	16,828	22,020

11. Tangible fixed assets continued

	Plant, machinery & equipment £'000	Total £'000
Company		
Cost		
At 1 December 2001	291	291
Additions	14	14
Disposals	(2)	(2)
At 30 November 2002	**303**	**303**
Depreciation		
At 1 December 2001	(246)	(246)
Charge for year	(31)	(31)
Disposals	1	1
At 30 November 2002	**(276)**	**(276)**
Net book value		
At 30 November 2002	**27**	**27**
At 1 December 2001	45	45

Capital commitments, authorised and contracted for, in the Group at 30 November 2002 were £135,000 (2001: £226,000). There were no such commitments in the Company (2001: £nil).

12. Fixed asset investments

	Investment in associated undertaking £'000	Investment in Permair Austins joint venture £'000
Group		
At 1 December 2001	2,192	94
Share of joint venture/associated undertaking profit/(loss) after tax during year	130	(94)
Exchange differences	26	–
At 30 November 2002	**2,348**	**–**

The associated undertaking is a 25% interest in Sympatex (incorporated in Germany). As part of the original acquisition of this interest, the Group provided a loan of €1.6m to the undertaking on which interest is receivable at 6% per annum. During the year the Group received £0.06m of interest on the loan (2001: £0.04m).

The Group has a 50% interest in the ordinary shares of a joint venture called Permair Austins Limited, a company based and incorporated in Hong Kong. During the year ended 30 November 2002, the Group made sales on an arm's-length basis to Permair Austins Limited of £32,000 (2001: £345,000). It was decided during the year to close the joint venture and supply this market by other means. Final closure of the venture is expected on 31 December 2002, at no significant further cost to the Group.

	Shares in subsidiary undertakings £'000	Loans to subsidiary undertakings £'000	Total £'000
Company			
At 1 December 2001	37,245	35,173	72,418
Additions	5,662	(3,026)	2,636
At 30 November 2002	**42,907**	**32,147**	**75,054**

Details of the Group's subsidiary undertakings are given in note 13.

13. Principal subsidiary undertakings

The principal operating companies are as follows:

	Country of incorporation and operation	% holding
Porvair International Limited	England	100%
Permair Leathers Limited	Canada	100%
Selee Corporation	USA	100%
Porvair Fuel Cell Technology Inc	USA	100%
Porvair Ceramics Limited	England	100%
Porvair Filtration Group Limited	England	79%
Porvair Sciences Limited	England	100%

14. Stocks

	Group		Company	
	2002 £'000	2001 £'000	**2002 £'000**	2001 £'000
Raw materials and consumables	**4,482**	5,092	**-**	-
Work in progress	**1,927**	3,317	**-**	-
Finished goods and goods for resale	**8,252**	6,483	**-**	-
	14,661	14,892	**-**	-

15. Debtors

	Group		Company	
	2002 £'000	2001 £'000	**2002 £'000**	2001 £'000
Amounts falling due within one year				
Trade debtors	**13,992**	13,664	**-**	-
Amounts owed by joint venture	**-**	37	**-**	-
VAT recoverable	**121**	79	**6**	11
Corporation tax recoverable	**296**	-	**-**	-
Other debtors	**1,660**	1,003	**147**	31
Prepayments	**547**	776	**57**	-
	16,616	15,559	**210**	42
Amounts falling due after more than one year				
Trade debtors	**971**	1,420	**-**	-
Pension prepayment	**2,207**	1,827	**-**	-
	3,178	3,247	**-**	-

16. Creditors

		Group		Company	
	Note	**2002 £'000**	2001 £'000	**2002 £'000**	2001 £'000
Amounts falling due within one year					
Bank overdraft		**-**	-	**-**	1,729
Bank loans and loan notes	17	**15,049**	1,559	**15,001**	-
Trade creditors		**7,920**	7,780	**128**	67
Corporation tax		**-**	597	**548**	746
Taxation and social security		**638**	476	**79**	48
Accruals and deferred income		**3,252**	3,718	**479**	299
Proposed dividend		**1,583**	1,583	**1,583**	1,583
		28,442	15,713	**17,818**	4,472
Amounts falling due after more than one year					
Bank loans	17	**-**	10,346	**-**	10,298

17. Bank and other loans

	Group		Company	
	2002 £'000	2001 £'000	**2002 £'000**	2001 £'000
Hire purchase finance loans	**48**	107	–	–
Loan notes	–	1,500	–	–
Secured multicurrency revolving credit facility of £15m maturing September 2003 with interest at 0.65% above LIBOR	**15,001**	10,298	**15,001**	10,298
	15,049	11,905	**15,001**	10,298

The multicurrency revolving credit facility is secured by fixed and floating charges against certain subsidiaries' assets.

On the acquisition of 2FI Holdings Limited ('2FI') £1,500,000 of loan notes were issued as part of the consideration to the owners of 2FI. The loan notes were redeemed on 1 May 2002.

	Group		Company	
	2002 £'000	2001 £'000	**2002 £'000**	2001 £'000
Bank and other loans of the Group are repayable as follows:				
Within one year	**15,049**	1,559	**15,001**	–
One to two years	–	10,338	–	10,298
Two to five years	–	8	–	–
	15,049	11,905	**15,001**	10,298

At 30 November 2002 the Group had £nil (2001: £4,702,000) of undrawn revolving credit facilities which expire within one year. The existing facility is due to expire in September 2003. Negotiations for a renewal of this facility with the existing bankers are expected to be concluded shortly with the new facility expiring in September 2006.

18. Financial instruments

(1) Interest rate risk: the interest rate profile of the financial liabilities of the Group comprising gross borrowings at 30 November 2002 is detailed below.

	2002					2001	
	Fixed rate weighted average period Years	**Fixed rate weighted average interest rate %**	**Fixed borrowings £'000**	**Floating borrowings £'000**	**Total borrowings £'000**	Fixed borrowings £'000	Floating borrowings £'000
Currency							
Sterling	**1**	**8.0**	**48**	–	**48**	1,607	–
Euros	–	–	–	**1,023**	**1,023**	–	1,884
US Dollars	–	–	–	**13,978**	**13,978**	–	8,414
	1	**8.0**	**48**	**15,001**	**15,049**	1,607	10,298

The floating interest rate exposure relates to the Group's secured revolving multicurrency credit facility (see note 17).

The interest rate profile of the financial assets of the Group comprising cash and long-term trade debtor at 30 November 2002 is detailed below.

	2002		2001	
	Long-term trade debtor £'000	**Cash (floating rate) £'000**	Long-term trade debtor £'000	Cash (floating rate) £'000
Currency				
Sterling	**971**	**1,250**	1,420	1,586
Canadian Dollars	–	**31**	–	120
Euros	–	**205**	–	14
US Dollars	–	**1,775**	–	828
	971	**3,261**	1,420	2,548

The Group has also provided a long-term loan to its associated undertaking (note 12). All of the Group's net cash assets are at floating rates of interest predominantly based on LIBOR or its overseas equivalents.

18. Financial instruments continued

(2) Currency risk: the currency exposure (i.e. those transactional exposures that give rise to the net currency gains and losses recognised in the profit and loss account) of the Group's net monetary assets/liabilities is shown below. Such exposures comprise the monetary assets and liabilities of the Group that are not denominated in the operating currency of the operating unit involved.

	Group 2002 Net foreign currency monetary assets/(liabilities)						Group 2001
	Sterling £'000	**US Dollars £'000**	**Can Dollars £'000**	**Euros £'000**	**Other £'000**	**Total £'000**	Total £'000
Functional currency of group operation							
Sterling	**–**	**2,315**	**–**	**380**	**(24)**	**2,671**	1,760
Canadian Dollars	**(149)**	**179**	**–**	**–**	**–**	**30**	210
US Dollars	**41**	**–**	**–**	**111**	**–**	**152**	247
	(108)	**2,494**	**–**	**491**	**(24)**	**2,853**	2,217

The Group uses its foreign borrowings to provide a hedge against its foreign net investments. The amounts reflect the effect of currency forward contracts and other derivatives entered into to manage currency exposure.

(3) Fair values of financial instruments: the difference between the fair values and book values of the Group's financial assets and liabilities is not material.

(4) Hedging of future contracts: at 30 November 2002 there was a zero-cost option to sell US$300,000 at a rate no worse than $1.5770/£1 entered into as cover for known future currency receipts (2001: forward exchange contracts totalling £25,000).

(5) Further details of the Group's financing and treasury policy are given in the operating and financial review on page 6.

19. Provisions for liabilities and charges

Under FRS19 the Group provides for deferred tax on a full provision basis:

	2002 £'000
Balance at 1 December 2001	**2,201**
Profit and loss charge	**254**
Balance at 30 November 2002	**2,455**

Deferred tax liabilities/(assets) in the accounts have been provided for as follows:

	Amount provided Group		Amount provided Company	
	2002 £'000	2001 £'000	**2002 £'000**	2001 £'000
Accelerated capital allowances	**1,738**	1,987	**–**	–
Pension prepayment	**662**	548	**–**	–
Other short-term timing differences	**55**	(334)	**(10)**	(130)
	2,455	2,201	**(10)**	(130)

There were no unprovided deferred tax liabilities at 30 November 2002 (2001: £nil).

20. Called up share capital

	Group		Company	
	2002 £'000	2001 £'000	**2002 £'000**	2001 £'000
Authorised				
75,000,000 ordinary shares of 2p each (2001: 75,000,000)	**1,500**	1,500	**1,500**	1,500
Allotted and fully paid				
36,803,011 ordinary shares of 2p each (2001: 36,803,011)	**736**	736	**736**	736

Shares issued as fully paid	
At 1 December 2001 and 30 November 2002	**36,803,011**

There were no share options exercised in the period and therefore no consideration received (2001: 33,770 shares for £65,952).

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 2002.

Number of shares	Subscription price	Exercise period
26,387	222.09p	1996 – 2003
39,399	253.18p	1997 – 2004
233,819	388.53p	1999 – 2006
10,629	281.28p	2000 – 2007
53,149	331.61p	2001 – 2005
106,299	345.72p	2001 – 2005
21,259	116.18p	2002 – 2009
58,465	116.18p	2002 – 2006
37,203	148.17p	2002 – 2006
10,630	194.26p	2003 – 2010
58,460	214.49p	2003 – 2007
210,000	259.00p	2004 – 2008
6,000	231.00p	2005 – 2012
14,000	231.00p	2005 – 2009
20,000	126.50p	2005 – 2012
130,000	126.50p	2005 – 2009
1,035,699		

Movements in share options during the year were:

	Number
At 1 December 2001	885,891
Options granted	170,000
Options lapsed (all at a subscription price of 388.53p per share)	(20,192)
At 30 November 2002	**1,035,699**

21. Reserves

	Share premium account £'000	Profit and loss account £'000
Group		
At 1 December 2001	28,679	28,976
Retained loss for year	–	(4,346)
At 30 November 2002	**28,679**	**24,630**
Company		
At 1 December 2001	28,679	28,658
Retained profit for year	–	3,230
At 30 November 2002	**28,679**	**31,888**

22. Other reserves

	Special reserve £'000	Exchange reserve £'000	Capital reserve £'000	Total £'000
Group				
At 1 December 2001	4,102	(111)	951	4,942
Exchange differences	–	(613)	–	(613)
At 30 November 2002	**4,102**	**(724)**	**951**	**4,329**
Company				
At 1 December 2001		(1,159)	951	(208)
Exchange differences		(9)	–	(9)
At 30 November 2002		**(1,168)**	**951**	**(217)**

23. Reconciliation of operating profit/(loss) to net cash inflow from operating activities

	2002 £'000	2001 £'000
Total group operating profit/(loss) before exceptional items	**(1,679)**	2,513
Goodwill amortisation	**2,299**	2,515
Depreciation	**3,512**	3,222
Loss on sale of fixed assets	**44**	116
Decrease/(increase) in stocks	**82**	(1,068)
Decrease/(increase) in debtors	**(1,081)**	514
Decrease in creditors	**(110)**	(1,485)
Share of joint venture and associated undertakings profits and losses	**(87)**	(40)
Net cash inflow from operating activities before exceptional items	**2,980**	6,287
Exceptional items	**(182)**	(1,405)
Net cash inflow from operating activities	**2,798**	4,882

24. Reconciliation of net cash flow to movement in net borrowings

	2002 £'000	2001 £'000
Increase in cash in the year	**846**	1,825
(Increase)/decrease in borrowings	**(4,105)**	1,198
Change in net borrowings from cash flows	**(3,259)**	3,023
Exchange differences	**828**	(17)
Movements in net borrowings in year	**(2,431)**	3,006
Acquired companies	**–**	(2,403)
Opening net borrowings	**(9,357)**	(9,960)
Closing net borrowings	**(11,788)**	(9,357)

25. Analysis of net borrowings

	1 December 2001 £'000	Cash flow £'000	Other non-cash £'000	Exchange differences £'000	**30 November 2002 £'000**
Cash in hand and at bank	2,548	846	–	(133)	**3,261**
Overdrafts	–	–	–	–	**–**
		846	–	(133)	
Borrowings due after one year	(10,346)	–	9,385	961	**–**
Borrowings due within one year	(1,559)	(4,105)	(9,385)	–	**(15,049)**
		(4,105)	–	961	
Total	(9,357)	(3,259)	–	828	**(11,788)**

26. Operating lease commitments
The Group is committed to the following rentals during next year on operating leases expiring:

	Group 2002		Group 2001	
	Land and buildings £'000	**Other £'000**	Land and buildings £'000	Other £'000
Within one year	**–**	**88**	–	46
Within two to five years	**300**	**296**	245	314
Over five years	**589**	**–**	508	2
	889	**384**	753	362

27. Pension costs
(a) Defined Benefit Plan – SSAP24 basis
The Group operates a defined benefit pension scheme covering the majority of employees in the UK. The pension scheme is financed through a separate trust fund administered by Trustees with an independent Chairman. The Porvair plc Pension & Death Benefit Plan ('the Plan') was closed to new entrants in October 2001.

Formal valuations of the Plan by a professionally qualified actuary are carried out at least every three years using the projected unit method. Under this method the current service cost will increase in relation to the salaries of the members in future years as those members approach retirement. The latest full actuarial valuation was as at 1 April 2000.

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 96% (previous valuation in 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 £675,000. During the year the Group's contributions were 15% and employee contributions 6%. The ongoing funding status of the Plan is expected to reach 100% in two to three years.

27. Pension costs continued

(a) Defined Benefit Plan – SSAP24 basis continued

The UK pension charge for the year was £599,000 (2001: £575,000); the funding via employer contributions was £979,000 (2001: £955,000). The market value of the scheme's assets (including AVC assets) at 31 March 2002 was £14.9m (2001: £16.5m).

(b) Defined contribution schemes

For its US employees, the Group operates a defined contribution pension plan ('the Pension Plan') covering all eligible full-time employees. The Group contributes 3% of each participant's compensation each year to the Pension Plan. In 2002 this amounted to £220,000 (2001: £203,000).

In the UK, after the closure of the Plan to new members the Group introduced a Stakeholder Plan to be offered to all new employees. Total employer contributions in the UK to defined contribution schemes was £117,000 (2001: £47,000).

(c) Defined Benefit Plan – FRS17 disclosures

In the transition to the new Financial Reporting Standard No. 17 for Retirement Benefits ('FRS17') there is a phased implementation period introducing further new disclosures for the 2002 year. The aim of FRS17 is to move from a long-term approach under SSAP24 to a market-based approach in valuing the assets and liabilities arising from an employer's defined benefit obligations and any related funding. As a result of market-based valuations there may be significant variations in the Plan funding from period to period under this basis.

The valuation used for FRS17 disclosures is based on the most recent actuarial valuation of the Plan as updated by the Plan actuaries to take account of the market value of the assets and the present value of the liabilities of the Plan at 30 November 2002.

(i) Balance sheet

The financial assumptions used to calculate Plan liabilities under FRS17 are:

	2002	2001
Valuation method	**Projected unit**	Projected unit
Discount rate	**5.5% p.a.**	5.5% p.a.
Inflation rate	**2.4% p.a.**	2.4% p.a.
General salary increases	**4.4% p.a.**	4.4% p.a.
Increases to pensions in payment	**2.5% p.a.**	2.5% p.a.

The assets in the Plan with their expected rates of return are:

	Long-term expected rate of return at 30 November 2002 %	**Value at 30 November 2002 £m**	Long-term expected rate of return at 30 November 2001 %	Value at 30 November 2001 £m
Equities	**8.5**	**8.7**	8.0	9.5
Bonds	**4.8**	**4.2**	5.2	5.0
Other	**3.9**	**0.1**	5.0	0.1
Market value of assets		**13.0**		14.6
Present value of Plan liabilities		**(22.1)**		(21.1)
FRS17 deficit in the Plan (excluding deferred tax)		**(9.1)**		(6.5)
Related deferred tax credit		**2.7**		1.9
Net pension liability		**(6.4)**		(4.6)

The analysis of movement in the deficit in the Plan for the year is as follows:

	2002 £m
Deficit at 1 December 2001	**(6.5)**
Contributions paid	**1.0**
Current service cost	**(1.0)**
Other finance charge	**(0.2)**
Actuarial losses	**(2.4)**
Deficit at 30 November 2002	**(9.1)**

27. Pension costs continued

(c) Defined Benefit Plan – FRS17 disclosures continued

(i) Balance sheet continued

If the pension liability was reflected in the consolidated balance sheet the adjustments would be as follows:

	2002 £m	2001 £m
Shareholders' funds		
Shareholders' funds including SSAP24 prepayment	**58.4**	63.3
Less: SSAP24 prepayment (including related deferred tax liability)	**(1.5)**	(1.3)
	56.9	62.0
Less: net FRS17 deficit	**(6.4)**	(4.6)
Shareholders' funds including FRS17 pension deficit	**50.5**	57.4

(ii) Profit and loss account

The components of defined benefit cost for the year 2002 under FRS17 would be as shown below:

	2002 £m
Analysis of amounts chargeable to operating profit	
Current service cost	**(1.0)**
Past service cost	**–**
	(1.0)
Analysis of amounts chargeable to other finance income	
Interest on Plan liabilities	**(1.2)**
Expected return on assets in the Plan	**1.0**
Net amount chargeable to other finance income	**(0.2)**
Total chargeable to profit and loss account before deduction of tax	**(1.2)**

(iii) Other items

	2002 £m
Analysis of amounts recognisable in the statement of recognised gains and losses	
Gains and (losses) on assets	**(3.3)**
Experience gain/(loss) on liabilities	**0.9**
Total actuarial loss recognisable in the statement of recognised gains and losses	**(2.4)**

	2002
History of experience gains and losses	
Gains and (losses) on Plan assets (£m)	**(3.3)**
% of Plan assets at end of year	**25.4%**
Experience gain/(loss) on Plan liabilities (£m)	**0.9**
% of Plan liabilities at end of year	**(4.1)%**
Total actuarial loss recognisable in the statement of recognised gains and losses (£m)	**(2.4)**
% of Plan liabilities at end of year	**10.9%**

28. Contingent liabilities

The rights of the owners of the minority interests in Porvair Filtration Group Limited include a 'put' option on their holding. This option is exercisable on 1 November 2005, and could require the Group to purchase all of the minority interests' shares. Currently this cost could be in the region of £6.5m.

	2002 £'000	2001* £'000	2000 £'000	1999 £'000	1998* £'000	1997 £'000	1996 £'000	1995 £'000	1994 £'000	1993 £'000	1992 £'000
Profit and loss account											
Turnover	**68,332**	71,459	64,552	61,571	61,965	70,766	55,427	39,924	24,832	21,893	17,947
Profit before goodwill amortisation and taxation	**169**	3,769	6,021	4,225	2,061	6,857	4,151	5,120	3,105	2,551	2,017
Goodwill amortisation	**(2,299)**	(2,515)	(2,113)	(2,113)	(2,029)	(2,027)	(1,707)	(1,261)	(162)	(153)	(158)
Taxation	**352**	(1,186)	(2,438)	(987)	(5)	(2,263)	(1,385)	(1,568)	(870)	(561)	(388)
Profit after taxation**	**(1,778)**	68	1,470	1,125	27	2,567	1,059	2,291	2,073	1,837	1,471
Equity minority interests	**(101)**	(150)	9	6	10	(9)	(8)	(10)	8	39	77
Profit for the financial year	**(1,879)**	(82)	1,479	1,131	37	2,558	1,051	2,281	2,081	1,876	1,548
Dividends	**(2,467)**	(2,467)	(1,723)	(1,644)	(1,623)	(1,607)	(1,428)	(1,191)	(742)	(648)	(553)
Retained profits	**(4,346)**	(2,549)	(244)	(513)	(1,586)	951	(377)	1,090	1,339	1,228	995
Earnings and dividends per share											
Earnings per share before goodwill amortisation and exceptional items	**0.6p**	7.8p	13.2p	11.8p	7.6p	16.9p	10.3p	16.9p	12.9p	11.8p	10.3p
Earnings per share after goodwill amortisation and exceptional items	**(5.1)p**	(8.7)p	5.4p	4.1p	0.1p	9.5p	4.0p	10.9p	12.0p	10.9p	9.3p
Dividends per share	**6.7p**	6.7p	6.3p	6.0p	6.0p	5.8p	5.3p	5.1p	4.2p	4.0p	3.4p
Balance sheet											
Fixed assets	**23,082**	24,306	20,598	19,388	17,966	17,442	15,411	16,189	10,194	9,296	8,842
Goodwill	**33,349**	35,940	18,599	20,712	22,407	24,436	24,513	24,797	2,757	2,919	2,927
Current assets	**37,716**	36,246	28,763	24,934	27,195	32,134	26,539	25,709	13,631	11,053	10,621
	94,147	96,492	67,960	65,034	67,568	74,012	66,463	66,695	26,582	23,268	22,390
Current liabilities	**(28,442)**	(15,713)	(13,179)	(12,029)	(14,976)	(22,950)	(14,636)	(15,048)	(8,528)	(6,393)	(6,462)
	65,705	80,779	54,781	53,005	52,592	51,062	51,827	51,647	18,054	16,875	15,928
Long-term liabilities	**–**	(10,346)	(10,668)	(9,787)	(9,098)	(3,216)	(5,320)	(3,903)	(1,250)	(1,400)	(1,130)
Provision for liabilities and charges**	**(2,455)**	(2,201)	(2,742)	(320)	(261)	(228)	–	–	(60)	(84)	(690)
	63,250	68,232	41,371	42,898	43,233	47,618	46,507	47,744	16,744	15,391	14,108
Equity minority interests	**(4,876)**	(4,899)	(36)	(32)	(38)	(50)	–	12	61	53	66
Shareholders' funds	**58,374**	63,333	41,335	42,866	43,195	47,568	46,507	47,756	16,805	15,444	14,174
Cash flow											
Cash flow from operating activities	**2,980**	6,287	6,758	6,758	9,251	5,438	5,317	3,094	3,672	4,075	1,951

* Exceptional charges excluded.
** Deferred taxation under FRS19 only restated to 2000.