

**PORVAIR PLC**

**ANNUAL REPORT AND ACCOUNTS**

**1994**

Company Registration Number: 1661935



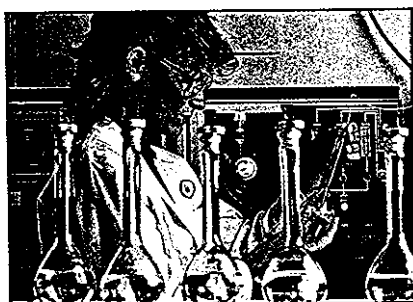


## C O N T E N T S

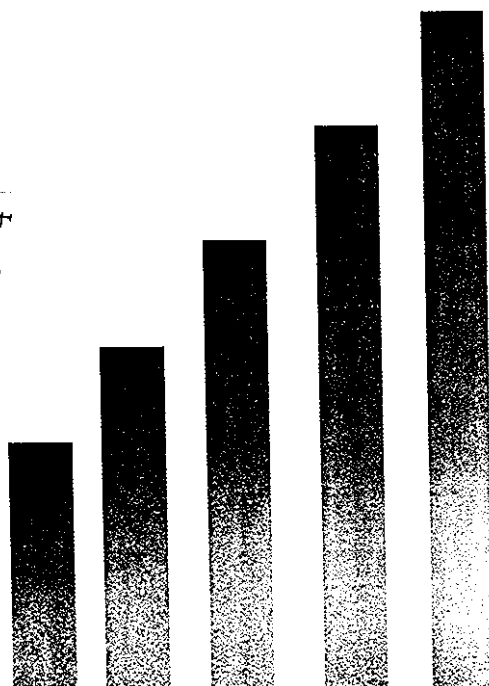
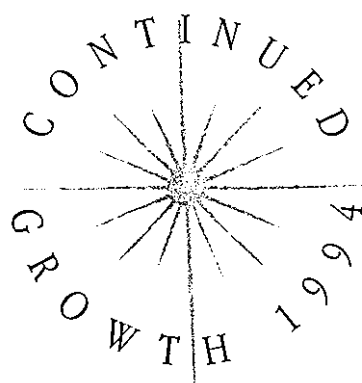


● Top: Wildcat - a quality leather combining performance with style

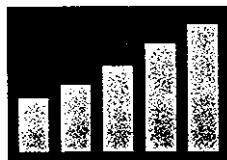
● Above: Investment in research and technology is vital to continued growth



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● Porelle products feature prominently in the European Ski-wear Industry.

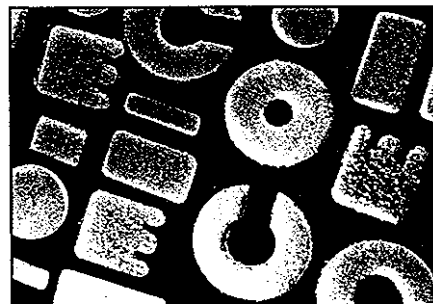


## C O R P O R A T E   S T A T E M E N T

Porvair plc develops, manufactures and markets materials with microporous structures. These materials are used in a wide variety of industrial applications

including leather finishes, membranes for foul weather clothing, acoustic insulation, room fresheners, battery vents, filters, ceramics and medical diagnostic devices.

The Company's objective is to grow organically by continued investment in new product development and by acquisition into related growth industries using the strengths of the core business to enhance the profits of an enlarged Group. The long term financial objective of Porvair plc is to increase the earnings per share for the shareholders and to provide a secure and creative environment for the employees.

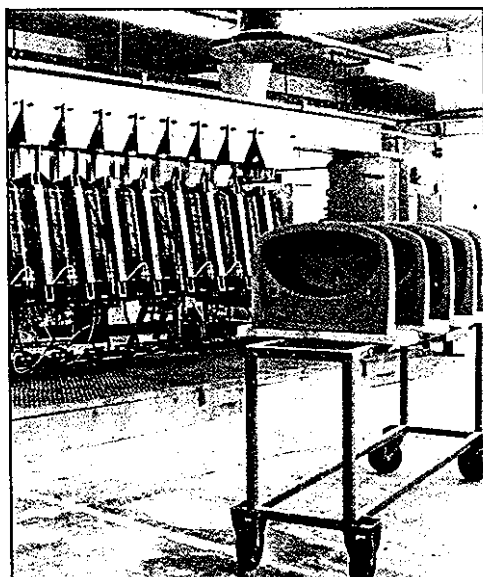


● Porvair Technology offers a comprehensive range of sintered products and filtration materials.

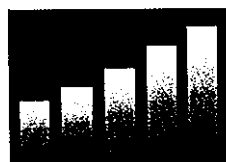


● Porvair's products feature in the Sports Industry including Poromerics for football manufacture and footwear

● Pressure Casting ceramics development offers significant potential in 1995.

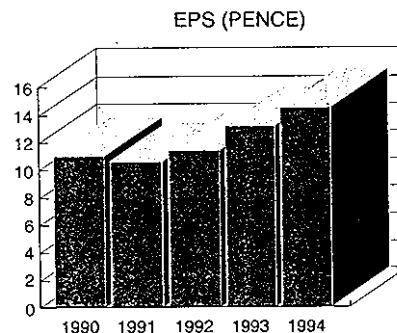
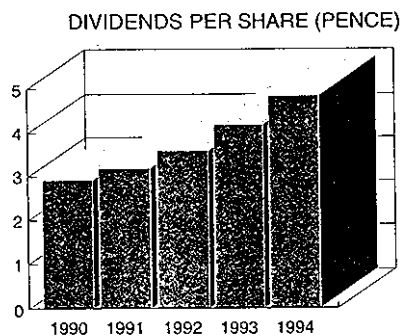
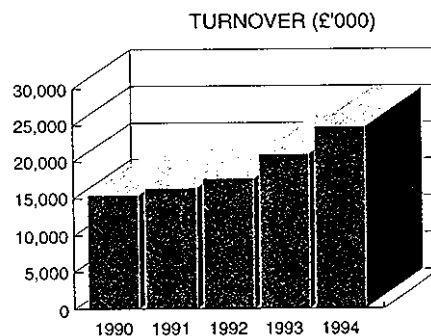
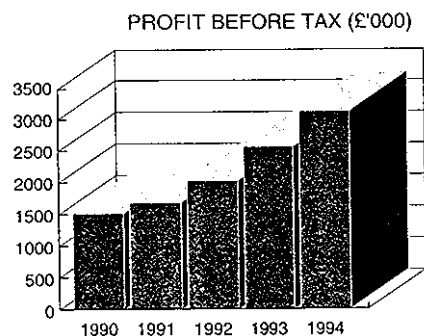


● Porvair's breathable, waterproof and windproof qualities excel in the UK performance clothing industry.



## H I G H L I G H T S

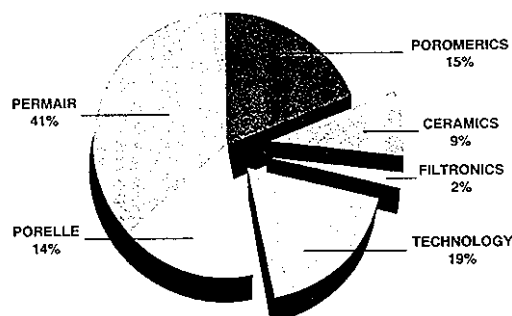
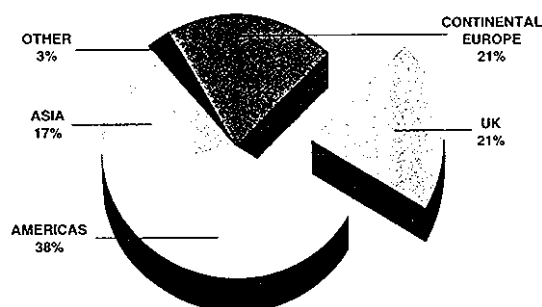
### 5 YEAR RECORD

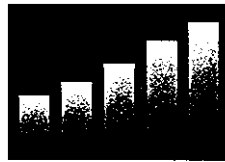


### 1994

- PROFIT BEFORE TAX INCREASED BY 22%
- 13% GROWTH IN TURNOVER
- 14% DIVIDEND GROWTH
- 10% GROWTH IN EARNINGS PER SHARE
- 79% OF SALES EXPORTED
- HEALTHY BALANCE SHEET (GEARING 14%)
- PORVAIR CERAMICS PROFITABLE
- CONTINUED EMPHASIS ON R & D
- SIGNIFICANT PORTFOLIO OF NEW PRODUCTS EMERGING

## G R O U P T U R N O V E R





## C H A I R M A N ' S   S T A T E M E N T

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Porvair achieved record sales, profits and return on shareholders' funds in 1994. The anticipated improvement in the second half of the year resulted in a 13% increase in sales and a 22% improvement in the profit before tax for the year overall.

The sales growth for 1994 was due to significant increases in Porelle (44%) and Porvair Technology (26%) while Porvair Ceramics achieved its first orders for pressure casting equipment ending the year with sales of over £2m resulting in a healthy profit for that division. Permair's sales showed no increase in the year, while Poromerics recovered well in the second half of the year but not enough to make up for the low sales of Poromerics to Pakistan at the start of the year.

The profit before tax increased to £3.1m (1993: £2.5m) on turnover of £24.8m (1993: £21.9m).

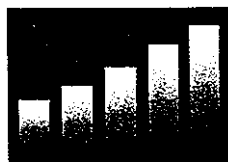
The Directors recommend a final dividend of 3.2p net payable on 12 April 1995 to shareholders on the register at the close of business on 2 March 1995 (1993: 2.8p) producing a total of 4.8p net for the full year (1993: 4.2p) an increase of 14%. The earnings per share were 14.5p (1993: 13.2p) an improvement of 10%, which would have been higher had it not been for the Group's 1994 tax charge of 28% (1993 : 22%).

The highlight of the year was undoubtedly the success of Porvair Ceramics, winning a prestigious order worth over £2m against more established competition, to supply pressure casting machines to one of the largest sanitaryware manufacturers in the USA. This is the culmination of many years' research and development and has heralded a breakthrough into the sanitaryware marketplace. The major part of that order was completed during the fiscal year converting Porvair Ceramics into a profitable operation. Further orders have already been received since the year end and there is a healthy enquiry portfolio from a number of potential customers.

Porvair International remains the largest part of our Group's business. Despite the destocking decision by our Pakistan distributor for Poromerics in the first half of the year and the flat sales performance of Permair®, the Company secured a stable year end result due to the substantial growth yet again in Porelle®. Sales of the Porelle film for laminating to textiles for use in foul weather clothing and glove inserts grew by 44%.

Porvair Technology, which produces filter media in plastics and metals, is now beginning to demonstrate the potential expected after the relocation and reorganisation of the previous year. A 16% sales growth in the first half accelerated to a 26% growth for the year overall. I am particularly pleased to report that we are making great strides in the filtration and water treatment markets with orders in hand at record levels. We have increased our resources in this area of activity as a strategic investment in what we see as an increasingly important and expanding business sector for the Group. In spite of this, operating profits increased in line with sales growth, with adequate opportunities to increase further our manufacturing efficiency .

Porvair Filtronics had a disappointing second half year after a good start, restricting the growth in



sales to 30% for the year overall. The Company, as anticipated, made a loss in the year. Actions taken during the year will substantially reduce the costs incurred by this Company in 1995 and along with a continued sales growth, we expect to improve its performance considerably.

### BOARD CHANGES

Dr Allen Halliwell, who was a member of the original management team who led the buyout in 1982, retired on 30 November 1994 after 25 years' service. Allen was appointed to the Board at the time of the buyout and has contributed a great deal to the development of the Group in a variety of roles. On behalf of the Board, I would like to thank him sincerely and wish him a long and happy retirement.

Neil Clarke joined the Board on 1 September 1994 as a Non- Executive Director. His considerable experience in industry has helped him gain a speedy understanding of the business and a valued early input into the strategic direction of your Company.

### EMPLOYEES

The Group now employs almost 400 personnel at three sites in the UK. Once again, our growth is a testimonial to the dedication of our employees. To recognise their contribution the Board recently introduced a profit sharing scheme so that all our employees may share in the financial success of the Group. On behalf of the Board, I would like to thank them all for their efforts, diligence and loyalty during the year and I look forward to working with the enlarged team in 1995 to achieve new heights.

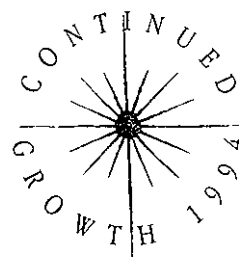
### OUTLOOK

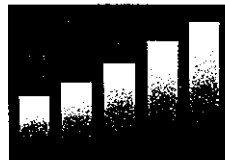
The Company is active in a wide range of industries and although we expect healthy progress in each area, the rate of growth in each may differ. We have now converted our investment in Porvair Ceramics into a profitable enterprise and anticipate further advances in the textiles, filtration and water treatment areas. Permair® has received much attention in 1994 and we remain confident that next year will see this product again start to grow. We have stemmed the losses in Filtronics and continue to make good progress with our strategic product developments. All in all, the prospects for the Company to achieve further growth next year are sound.

We will continue to invest in new product development to provide long term organic growth and it remains our objective to complement this with suitable acquisitions.

John Morgan  
Chairman

2 February 1995





## **F I N A N C I A L R E V I E W**

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### **OPERATING RESULTS**

The Group continued its strong financial growth during the year with increases in sales, profits, earnings per share and net assets. There were no acquisitions, disposals or exceptional items during the year. The growth of 22% in pre tax profits to £3.1m in 1994 (1993 : £2.55m) is from ongoing operations.

### **TAXATION**

The effective tax rate of 28% represented an increase as anticipated over the 1993 rate of 22%. Some benefit of accelerated capital allowances remains however and though our effective tax rate may increase again next year, it is likely to remain below the standard rate.

### **CASH FLOW**

The Group achieved a cash generation in the year from its trading activities of £2.1m before investing activities of £2.3m and loan repayments of £0.2m. The Group's net cash position therefore reduced by £0.4m. Though the Group anticipates an increased level of capital expenditure in 1995, it is expected that this will continue to be funded from cash generated from trading activities.

### **GEARING**

Shareholders' funds now stand at £14.0m with total borrowings at £2.0m. Gearing at the year end was 14.3% (1993 : 15.0%).

### **FINANCING**

The Group's total borrowings are in sterling with bank borrowings falling due in approximately equal instalments over the next six years. The loans are unsecured and interest is fixed at between 1% and 1.25% above Libor. The ECSC loan is repayable between 3 and 7 years and carries an effective interest rate of 6.1%. Interest cover in the year under review was approximately sixteen times and should not be materially impaired by recent increases in interest rates.

### **FOREIGN EXCHANGE**

It is the Group's policy to minimise its exposure to fluctuations in foreign exchange rates. The vast majority of the Group's trading is undertaken in sterling. Transactions in foreign currency are hedged to their full value.

### **DIVIDEND COVER**

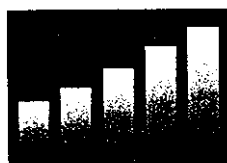
The final proposed dividend of 3.2p increases the full year dividend by 14.3% to 4.8p (1993 : 4.2p). Dividend cover remains little changed at just over 3 times.

### **CORPORATE GOVERNANCE**

The Board confirms that it has reviewed the Company's compliance with all of the provisions of the Code of Best Practice issued by the Committee on the Financial Aspects of Corporate Governance, apart from internal controls where guidance is not yet in force and is satisfied that the Group complies with the Code.

### **BOARD STRUCTURE**

The Board of Directors comprises four Non-Executive Directors and three Executive Directors. By invitation, the Managing Directors of other subsidiaries are asked to attend Board meetings as required. The Board normally meets six times a year although more frequent meetings are arranged on occasions.



#### INTERNAL CONTROL

Each subsidiary within the Group is organised as a separate business with clear lines of accountability and authority and is responsible to its Board of Directors. The internal controls of each Company reflect Group procedures and are monitored regularly by the Chairman and Finance Director of the Group.

The Directors are satisfied that the Group has an appropriate system of internal controls which includes a clearly defined delegation of authority from the Board and clear procedures for obtaining approval of major transactions. The Group has established procedures for budgeting and forecasting and for the monitoring of actual performance against those budgets and forecasts. Internal financial controls are in existence which provide reasonable assurance of the maintenance of proper accounting records and the reliability of financial information used within the business or for publication to shareholders.

#### GOING CONCERN

The Group's accounts have been prepared on the basis that the Group is a going concern. The Directors are satisfied that the Group is in a sound financial position. In forming this view the Directors have reviewed the Group's budgets for the current year and outline plans for the following two years including capital expenditure plans and cashflow forecasts.

#### AUDIT COMMITTEE

The Audit Committee is chaired by Mr W Wallis and its membership is shown on page 36. It meets at least twice a year and its agenda includes all matters pertaining to the performance of the Group and the internal financial controls reported upon by auditors or deemed to be of importance by any member. The Committee also recommends the appointment, scope and audit fees of the external auditors.

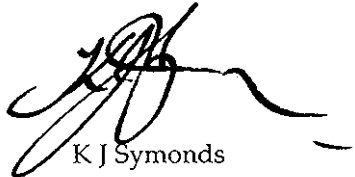
#### REMUNERATION COMMITTEE

The Remuneration Committee is chaired by Mr E Bostwick and its membership is listed on page 36. The prime responsibilities of the Committee are to agree the remuneration of the Executive Directors and certain other senior executives with reference to any outside advice and information the Committee regards as relevant. The Chairman of the Board sits on the Committee when considering all Executive Directors remuneration excepting his own.

The Chairman and Executive Directors of the Board decide on the remuneration of the Non-Executive Directors after taking advice from appropriate external sources.

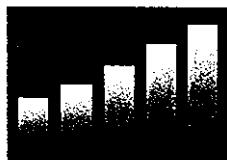
#### AUDITORS' REVIEW

The Auditors, Price Waterhouse, have reviewed our compliance with the specific matters in the Code which the London Stock Exchange requires that the Auditors should review. They have reported to the Board that they are of the opinion that it is appropriate for the Directors to make the statement that the Company complies with the aspects of the Code for which formal guidance is in force.



K J Symonds  
Group Finance Director





## **O P E R A T I N G   R E V I E W**

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The Group's main activity is the development, manufacture and marketing of materials with microporous structures. The manufacture and marketing of these materials, which are used in a wide range of industrial applications, is carried on by four of the Group's subsidiaries, of which three are regarded as operational businesses. These three Companies are responsible for virtually all the turnover and operating profit. Porvair Filtronics, based in Shepperton, is a small Company regarded as a development company manufacturing components for medical diagnostic devices. Its contribution to sales is included with Porvair International for the purpose of financial segment reporting:-

### **PORVAIR INTERNATIONAL**

(based in King's Lynn)

- Footwear and Leather (including Permair® and Poromerics)
- Textiles (including Porelle® and glove inserts)
- Wound dressings (including Kyroderm)
- Printing Blankets

### **PORVAIR TECHNOLOGY**

(based in Wrexham)

- Filters and Filtration membranes
- Water and sewage treatment systems
- Powder handling fabrications
- Room fresheners
- Vacuum cleaner dust filters

### **PORVAIR CERAMICS**

(based in King's Lynn)

- Pressure casting machines and moulds for sanitaryware and tableware
- Ram press moulds for tableware

### **PORVAIR INTERNATIONAL**

This Company manufactures and markets four product groups, although two of these account for the vast majority of turnover.

#### **FOOTWEAR AND LEATHER**

This product group produces Poromerics (synthetic leather) and Permair® (film for laminating to and upgrading all types of hides and skins) and accounts for 56% (1993 : 69%) of Group sales.

Permair® sales were about the same year on year in each of Europe, the Americas and the Far East, producing an overall steady level of sales of approximately £10 million.

The growth expected from the Far East, in particular China, is taking longer to materialise than anticipated, but we remain confident that our strategy of entering this market is correct and are already seeing signs of improvement over the last 3 months. The sales prospects identified by

our Hong Kong office now need to be supported by presentations to the USA and European buyers of footwear manufactured in the Far East. Our new Permair finishes developed for casual footwear were later than planned coming to the market, but have been well received and will strengthen the expected sales growth in 1995. Licence agreements have been established in South Africa, Zimbabwe and Morocco during the year. Whereas pricing pressures are stronger than in the past, manufacturing efficiencies gained from capital investment and management attention have enabled us to preserve good product margins, so maintaining the position of Permair® as the key contributor to profits.

Sales of our lowest margin product, Poromerics, fell by 24% mainly as a result of destocking by our Pakistan distributor in the first half of the year. Turnover in the second half returned to a normal level. Sales to this customer were down by some £1 million compared to the previous year, although prior year sales were higher than normal due to the manufacture of soccer balls for the 1994 World Cup. Our USA distributor supplies Poromerics for use in military dress shoes, sales in this area were also at a lower level due to the reductions in defence expenditure. While sales of this product have been volatile of late, the effect on profitability is marginal.

#### TEXTILES

The principal product manufactured and marketed is Porelle® (a waterproof and "breathable" membrane used in combination with textiles for making into foul weather clothing and as inserts for gloves). Sales for this product group of £3.5m increased by 44% compared to the previous year and now accounts for 14% of Group sales. Porelle® membrane sold for clothing increased by 72% while glove inserts reduced by 12% compared to the previous year. The significant sales growth of Porelle® membrane continues particularly into Europe and the Americas for hypo-allergenic bed coverings and pillow cases and re-usable surgeon drapes and gowns. Other new adoptions include tents for the Canadian Defence Department and fire protective coats for fire fighters in the USA and Canada. Efforts have been concentrated during the year on outdoor wear in the sports and leisure market and extensive sampling has taken place from our Far East laminator.

Each of our existing distributors, with the exception of the UK which was temporarily affected by a reduced offtake from British Rail, showed considerable growth and having increased our Porelle® sales force we are continuing to strengthen our customer base.

The reduction in our glove inserts sales was caused by heavy competition from cheaper inserts from the Far East. The bulk of the sales of the inserts takes place in the three months from April to June and we responded too late to downward price pressure and consequently lost some sales. In preparation for 1995 we have developed a lower priced version, "ski dry", and a new reinforced insert for the fast growing snowboard glove market. Both have been approved by the market and we expect as a consequence to regain in 1995 the ground lost.

#### WOUND DRESSINGS

Sales of Kyroderm, our wound dressing material, although small, dropped 11% compared to the previous year, due to some own label business expected from a large customer not materialising.

#### PRINTING BLANKETS

Sales of our printing blankets, mainly for dry offset, are now becoming significant and increased by 15% in the year, despite a slow start. We have successfully developed a new dry offset blanket which will attract a larger market potential and our development of the litho offset blanket has performed its initial production trials with pleasing results. Attention is now being paid to widening our distributorship network for the printing blankets through Europe and the USA.

## **PORVAIR TECHNOLOGY**

Specialising in the manufacture of sintered (a method of production involving heat) plastic and metal microporous materials in sheet or fabricated form or moulded to shape, Porvair Technology is now fully integrated within the Porvair Group after the reorganisation of the previous year. Sales in the first half of the year, at 16% higher than the same period in the previous year, accelerated in the second half of the year to provide a 26% sales growth overall. Margins were maintained even though extra marketing costs were incurred and operating profits for the year reflected the growth in sales. However, there is significant scope for reducing the manufacturing cost base and increasing margins currently at 11%.

Porvair Technology is an important part of the Group's future strategy. Almost 20% of Group sales and 16% of the Group's operating profits are generated by this company. Significant progress has been made in the filtration and water treatment markets. First orders in excess of £500,000 were obtained for catalyst recovery and polymer melt filters for delivery in 1995. In water treatment our porous dome designed for aeration of sewage has been approved by several water companies in the UK and many orders have followed. In addition, we have quoted for the installation of several replacement and new aeration systems including pipework as well as the diffusers. Sales of the reusable vacuum cleaner filter more than doubled compared to the previous year and the product seems to have been well received by the public. Orders in hand for 1995 promise a good start to the year.

## **PORVAIR CERAMICS**

Porvair Ceramics manufactures moulds and associated equipment for use in the tableware and sanitaryware industries. During the year there has been a major breakthrough for this company, winning a large order from one of the largest sanitaryware manufacturers in the USA to supply pressure casting machines and associated moulds valued at over £2m. The bulk of this order was completed during the period under review but the remaining part of the order together with further orders received gives a healthy start to the new year. The equipment is installed and in the process of being commissioned. For the first time, Porvair Ceramics made a profit of £221,000 (1993 : a loss of £155,000) a significant and pleasing accomplishment for everyone associated with the company.

The moulds for the ram press process used in tableware manufacture continued to progress satisfactorily. Sales in the German market have been slow, but the more recent adoption by many Portuguese tableware manufacturers, by far the largest single market for these moulds in Europe, holds out expectation of continuing growth in this application. Several tableware customers are also regularly buying moulds for use on competitors' pressure casting equipment. The Company, with sales of £2.2m, has become a significant part of our overall business, with prospects for further growth most encouraging.

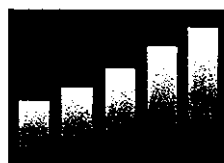
## **PORVAIR FILTRONICS**

This Company specialises in the manufacture of filters and components for medical diagnostic devices. This remains a small company and although sales increased by 30% it could not support the level of expense taken on last year to expand the business. Significant costs have now been taken out of the operation and with further anticipated sales growth the Company is expected to make a small profit in 1995.

The business sector in which the Company operates remains of interest and we will continue to grow the Company organically while looking for acquisition opportunities to complement its activities.

J M Morgan  
Chairman

A R Collinson  
Managing Director  
Porvair International Limited



## D I R E C T O R S '   R E P O R T

The Directors present their report and the audited accounts of the Group for the year ended 30 November 1994.

### PRINCIPAL ACTIVITIES

The Group's major activity during the year was the manufacture and marketing of microporous synthetic materials.

### REVIEW OF BUSINESS

The Group's trading results and a review of the future developments are given in the Chairman's Statement and the Operating and Financial Review.

### PROFITS AND DIVIDENDS

The Group's profit after taxation and minority interests for the financial year is £2,243,000 (1993: £2,029,000). An interim dividend of 1.6p per Ordinary share was paid on 25 October 1994, and the Directors now recommend the payment of a final dividend of 3.2p per Ordinary share payable on 12 April 1995 to shareholders on the register at the close of business on 2 March 1995. The total dividend will amount to £742,000 (1993: £648,000) and the remaining profit of £1,501,000 (1993: £1,381,000) will be added to reserves.

The ex dividend date is 13 February 1995.

### DIRECTORS AND THEIR INTERESTS

The Directors at the date of this report and during the year and details of their beneficial interests in the shares of the Company at the end of the year are given below according to the register maintained by the Company under Section 325 of the Companies Act 1985.

|               | 30 November 1994   |                  | 30 November 1993   |                  |
|---------------|--------------------|------------------|--------------------|------------------|
|               | Ordinary<br>shares | Share<br>options | Ordinary<br>shares | Share<br>options |
| J M Morgan    | 745,625            | -                | 745,625            | -                |
| E Bostwick    | 8,012              | -                | 8,012              | -                |
| J N Clarke    | -                  | -                | -                  | -                |
| A R Collinson | 24,275             | 40,000           | 29,275             | 40,000           |
| P W Greenwood | 1,250              | -                | 1,250              | -                |
| A Halliwell   | 531,687            | -                | 581,687            | -                |
| K J Symonds   | 18,301             | 40,354           | 18,301             | 40,354           |
| W O F Wallis  | 6,250              | -                | 6,250              | -                |

Share options granted under the Porvair Share Option Scheme are as follows:

|               | No. of ordinary<br>shares over which options<br>have been granted | Price<br>per<br>Share | Date<br>Granted |
|---------------|---|-----------------------|-----------------|
| A R Collinson | 15,000  | 135.00p               | 23.10.92        |
| A R Collinson | 25,000  | 250.00p               | 7.10.93         |
| K J Symonds   | 5,177   | 89.81p                | 29.9.89         |
| K J Symonds   | 5,177   | 84.98p                | 8.3.91          |
| K J Symonds   | 15,000  | 135.00p               | 23.10.92        |
| K J Symonds   | 15,000  | 250.00p               | 7.10.93         |

The period in which the above options may be exercised is shown in Note 14.

None of the Directors had a material interest in any contract of significance in relation to the Company or its subsidiaries during the year.

In accordance with the Articles of Association, Mr A R Collinson and Mr W O F Wallis retire by rotation and being eligible both offer themselves for re-election. Mr J N Clarke was appointed to the board on 1 September 1994 and offers himself for re-election at the next following Annual General Meeting. Mr Collinson has a Service Contract which is determinable by the Company or by Mr Collinson giving twelve month's notice.

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

## RESEARCH AND DEVELOPMENT

The Group has a continuing 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 £1,022,000 (1993: £949,000). 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 with the largest expenditure being incurred at the King's Lynn operations. Over the last five years, £3.7 million has been spent on R & D and usually represents approximately 4% of Group turnover. It is estimated that approximately 28% of 1994 sales are attributable to new products introduced in the last five years.

## FIXED ASSETS

The freehold land and buildings were professionally valued as at 31 March 1988 in the order of £1,450,000 on the basis of open market value on an existing use basis. This value is not incorporated in the Group's accounts. This compares with a net book amount at 30 November 1994 of £740,000 (1993: £759,000).

Capital expenditure on plant, equipment and motor vehicles in the year was £2,328,000 (1993: £1,640,000). The principal items of expenditure were the Porvair Ceramics manufacturing facility at King's Lynn, material recycling equipment and other environmental items for Porvair International and additional tooling equipment at Porvair Technology.

## SPECIAL BUSINESS AT THE ANNUAL GENERAL MEETING

At the Annual General Meeting to be held on 11 April 1995, in addition to the ordinary business, two resolutions will be proposed. Resolutions 7 and 8 renew the Directors' authorities to allot securities up to specified limits.

The authority sought under Section 80 of the Companies Act 1985, would permit the allotment of relevant securities to a maximum nominal value of £113,423. This figure represents one third of the issued share capital of the Company as at 2 February 1995, together with the 517,377 Ordinary shares reserved for issue in respect of outstanding options under the Porvair Share Option Scheme 1986.

## SUBSTANTIAL SHAREHOLDERS

In addition to the shareholdings of Directors and their families set out above, the Company has been notified of the following substantial shareholdings as at 2 February 1995.

|                            | Ordinary shares | Percentage |
|----------------------------|-----------------|------------|
| F & C Enterprise Trust plc | 1,098,400       | 7.1        |
| B.A.T. Industries plc      | 748,602         | 4.8        |
| Sun Alliance Group plc     | 518,750         | 3.4        |

## EMPLOYEE POLICIES

### COMMUNICATION

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.

#### EQUAL OPPORTUNITIES

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

#### HEALTH, SAFETY AND ENVIRONMENT

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. The Group is pleased to have received the British Safety Council's safety award for the last 25 consecutive years.

#### GROUP PENSION SCHEME

The Group has a defined benefit pension scheme covering the majority of employees. See Note 18 for further information.

#### CHARITABLE AND POLITICAL CONTRIBUTIONS

The Group made charitable donations of £3,000 during the year (1993 : £3,000). No political donations were made.

#### DISABLED PERSONS

Applications for employment by disabled persons are always fully considered bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the 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.

#### CLOSE COMPANY PROVISIONS

The Company is not so far as is known a close company within the provisions of the Income and Corporation Taxes Act 1988.

#### DIRECTORS' RESPONSIBILITIES


Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the Group and of the profit or loss of the Group for that period. In preparing those financial statements, the Directors are required to:-

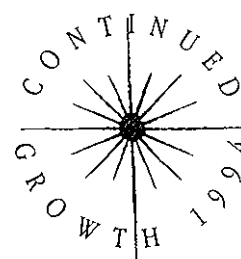
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

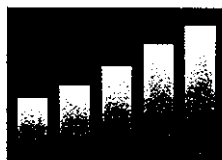
The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and of the Group, and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### AUDITORS

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

  
By order of the Board  
K.J. Symonds  
Secretary  
2 February 1995





## A U D I T O R S ' R E P O R T

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### AUDITORS' REPORT TO THE SHAREHOLDERS OF PORVAIR PLC

We have audited the financial statements on pages 17 to 34 which have been prepared under the historical cost convention and the accounting policies set out on pages 21 & 22.

### RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 15, the Company's Directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to 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 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 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 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

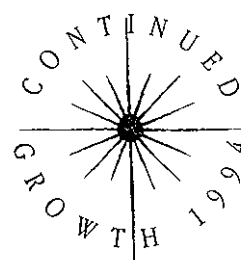
In our opinion the financial statements on pages 17 to 34 give a true and fair view of the state of affairs of the Company and the Group as at 30 November 1994 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse  
Chartered Accountants and Registered Auditors  
Nottingham  
2 February 1995

# CONSOLIDATED PROFIT AND LOSS ACCOUNT

*for the year ended 30 November 1994*

|   | Notes | Group<br>1994<br>£'000 | Group<br>1993<br>£'000 |
|---|-------|------------------------|------------------------|
| TURNOVER - CONTINUING OPERATIONS              | 2     | 24,832                 | 21,893                 |
| COST OF SALES                                 |       | (16,371)               | (14,714)               |
| GROSS PROFIT                                  |       | 8,461                  | 7,179                  |
| DISTRIBUTION COSTS                            |       | (897)                  | (758)                  |
| ADMINISTRATIVE EXPENSES                       |       | (4,318)                | (3,702)                |
| OTHER OPERATING INCOME                        |       | 65                     | 40                     |
| OPERATING PROFIT - CONTINUING OPERATIONS      | 2     | 3,311                  | 2,759                  |
| INTEREST PAYABLE AND SIMILAR CHARGES          | 3     | (206)                  | (208)                  |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | 3     | 3,105                  | 2,551                  |
| TAX ON PROFIT ON ORDINARY ACTIVITIES          | 4     | (870)                  | (561)                  |
| PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION  |       | 2,235                  | 1,990                  |
| MINORITY INTERESTS                            |       | 8                      | 39                     |
| PROFIT FOR THE FINANCIAL YEAR                 |       | 2,243                  | 2,029                  |
| DIVIDENDS                                     | 5     | (742)                  | (648)                  |
| RETAINED PROFIT FOR THE FINANCIAL YEAR        | 15    | 1,501                  | 1,381                  |
| EARNINGS PER SHARE                            | 21    | 14.5p                  | 13.2p                  |



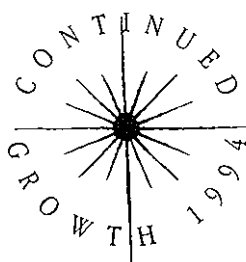


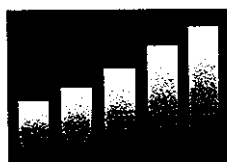
## RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

|  | Group  |        | Company |        |
|--|--------|--------|---------|--------|
|  | 1994   | 1993   | 1994    | 1993   |
|  | £'000  | £'000  | £'000   | £'000  |
| PROFIT FOR THE FINANCIAL YEAR          | 2,243  | 2,029  | 2,102   | 1,715  |
| DIVIDENDS                              | (742)  | (648)  | (742)   | (648)  |
| RETAINED PROFIT FOR THE FINANCIAL YEAR | 1,501  | 1,381  | 1,360   | 1,067  |
| NEW SHARE CAPITAL SUBSCRIBED           | 22     | 42     | 22      | 42     |
| GOODWILL WRITTEN OFF                   | -      | (145)  | -       | -      |
| NET ADDITION TO SHAREHOLDERS' FUNDS    | 1,523  | 1,278  | 1,382   | 1,109  |
| OPENING SHAREHOLDERS' FUNDS            | 12,525 | 11,247 | 13,417  | 12,308 |
| CLOSING SHAREHOLDERS' FUNDS            | 14,048 | 12,525 | 14,799  | 13,417 |

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There are no recognised gains or losses other than the profit for the period.





# B A L A N C E S H E E T S

as at 30 November 1994

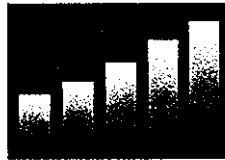
|  | Notes | Group         |               | Company       |               |
|--|-------|---------------|---------------|---------------|---------------|
|  |       | 1994<br>£'000 | 1993<br>£'000 | 1994<br>£'000 | 1993<br>£'000 |
| <b>Fixed assets</b>  |       |               |               |               |               |
| TANGIBLE ASSETS  | 7     | 10,190        | 9,296         | 9,781         | 9,118         |
| INVESTMENTS  | 22    | 4             | -             | 996           | 940           |
|  |       | 10,194        | 9,296         | 10,777        | 10,058        |
| <b>Current assets</b>  |       |               |               |               |               |
| STOCKS   | 8     | 5,492         | 4,481         | 5,219         | 4,379         |
| DEBTORS  | 9     | 8,138         | 6,571         | 6,960         | 6,308         |
| CASH AT BANK AND IN HAND                                       |       | 1             | 1             | 58            | 327           |
|  |       | 13,631        | 11,053        | 12,237        | 11,014        |
| <b>Creditors: amounts falling due within one year</b>          | 10    | (8,528)       | (6,393)       | (6,965)       | (6,255)       |
| <b>Net current assets</b>                                      |       | 5,103         | 4,660         | 5,272         | 4,759         |
| <b>Total assets less current liabilities</b>                   |       | 15,297        | 13,956        | 16,049        | 14,817        |
| <b>Creditors: amounts falling due after more than one year</b> | 11    | (1,250)       | (1,400)       | (1,250)       | (1,400)       |
| <b>Provisions for liabilities and charges</b>                  | 13    | (60)          | (84)          | -             | -             |
|  |       | 13,987        | 12,472        | 14,799        | 13,417        |
| <b>Capital and reserves</b>                                    |       |               |               |               |               |
| CALLED UP SHARE CAPITAL  | 14    | 309           | 308           | 309           | 308           |
| SHARE PREMIUM ACCOUNT  | 15    | 5,866         | 5,845         | 5,866         | 5,845         |
| CAPITAL RESERVE  | 15    | 951           | 951           | 951           | 951           |
| PROFIT AND LOSS ACCOUNT  | 15    | 6,922         | 5,421         | 7,673         | 6,313         |
| SHAREHOLDERS' FUNDS  |       | 14,048        | 12,525        | 14,799        | 13,417        |
| MINORITY INTERESTS   |       | (61)          | (53)          | -             | -             |
|  |       | 13,987        | 12,472        | 14,799        | 13,417        |

Approved by the Board on 2 February 1995

J.M. Morgan

K.J. Symonds

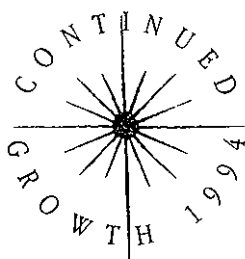
Directors

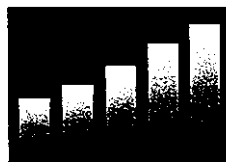


# CONSOLIDATED CASHFLOW STATEMENT

for the year ended 30 November 1994

|   | Notes | Group<br>1994 |         | Group<br>1993 |         |
|---|-------|---------------|---------|---------------|---------|
|   |       | £'000         | £'000   | £'000         | £'000   |
| <b>Net cash inflow from operating activities</b>        | 24    |               | 3,672   |               | 4,075   |
| <b>Returns on investments and servicing of finance</b>  |       |               |         |               |         |
| INTEREST PAID LESS RECEIVED                             |       | (191)         |         | (221)         |         |
| DIVIDENDS PAID  |       | (679)         |         | (584)         |         |
|   |       | .....         | (870)   | .....         | (805)   |
| <b>Corporation tax paid</b>                             |       |               | (637)   |               | (123)   |
| <b>Investing activities</b>                             |       |               |         |               |         |
| PURCHASE OF TANGIBLE FIXED ASSETS                       |       | (2,328)       |         | (1,829)       |         |
| ACQUISITION OF ASSOCIATED/SUBSIDIARY COMPANIES          |       | (4)           |         | (93)          |         |
| SALE OF FIXED ASSETS                                    |       | 6             |         | 6             |         |
|   |       | .....         | (2,326) | .....         | (1,916) |
| <b>Net cash (outflow)/inflow before financing</b>       |       |               | (161)   |               | 1,231   |
| <b>Financing</b>  |       |               |         |               |         |
| ISSUE OF ORDINARY SHARE CAPITAL                         | 27    | 22            |         | 42            |         |
| RECEIPT OF LOANS  |       | -             |         | 500           |         |
| REPAYMENT OF LOANS                                      |       | (230)         |         | (299)         |         |
|   |       | .....         | (208)   | .....         | 243     |
| <b>(Decrease)/increase in cash and cash equivalents</b> | 26    |               | (369)   |               | 1,474   |





## **N O T E S   T O   T H E   A C C O U N T S**

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### **1. Accounting policies**

#### **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 subsidiaries at 30 November 1994. 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 against reserves 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.

# **N O T E S   T O   T H E   A C C O U N T S**

## **Foreign currencies**

Foreign currency assets and liabilities are expressed in sterling at exchange rates ruling at the year end. Transactions in the normal course of business are expressed at the rates ruling at the date of transaction.

## **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**

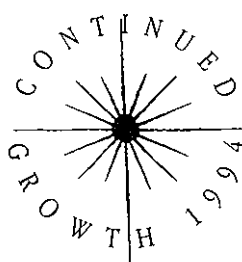
Pension costs for the Group's defined benefit pension scheme are charged to the profit and loss account so as to spread the cost of pensions over the service lives of employees in the scheme.

## **Turnover**

Turnover represents amounts invoiced to external customers in the ordinary course of business, excluding VAT, all of which was generated by UK activities.

## **Investments**

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



# N O T E S   T O   T H E   A C C O U N T S

## 2. Segment information

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

|                    | Group         | Group         |
|--------------------|---------------|---------------|
|                    | 1994          | 1993          |
|                    | £'000         | £'000         |
| United Kingdom     | 5,293         | 4,897         |
| Continental Europe | 5,196         | 4,714         |
| Americas           | 9,339         | 6,525         |
| Asia               | 4,112         | 5,020         |
| Australasia        | 267           | 193           |
| Africa             | 625           | 544           |
|                    | <u>24,832</u> | <u>21,893</u> |

The analysis of the Group results and net assets by activity is as follows:

|                                     | Turnover      |               | Operating<br>Profit/(Loss) |              |
|-------------------------------------|---------------|---------------|----------------------------|--------------|
|                                     | 1994          | 1993          | 1994                       | 1993         |
|                                     | £'000         | £'000         | £'000                      | £'000        |
| Porvair International<br>and others | 17,861        | 17,928        | 2,553                      | 2,492        |
| Porvair Technology                  | 4,755         | 3,788         | 537                        | 422          |
| Porvair Ceramics                    | 2,216         | 177           | 221                        | (155)        |
|                                     | <u>24,832</u> | <u>21,893</u> | <u>3,311</u>               | <u>2,759</u> |

|                                  | Net Assets    |               |
|----------------------------------|---------------|---------------|
|                                  | 1994          | 1993          |
|                                  | £'000         | £'000         |
| Porvair International and others | 12,641        | 11,645        |
| Porvair Technology               | 2,867         | 2,398         |
| Porvair Ceramics                 | 494           | 305           |
|                                  | <u>16,002</u> | <u>14,348</u> |
| Borrowings                       | (2,015)       | (1,876)       |
|                                  | <u>13,987</u> | <u>12,472</u> |

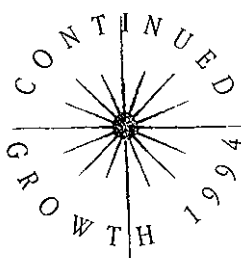
# N O T E S   T O   T H E   A C C O U N T S

## 3. Profit on ordinary activities before taxation

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

|   | Group        | Group        |
|---|--------------|--------------|
|   | 1994         | 1993         |
|   | £'000        | £'000        |
| Wages and salaries                            | 6,059        | 5,505        |
| Social security costs                         | 518          | 464          |
| Other pension costs (Note 18)                 | 528          | 449          |
|   | <u>7,105</u> | <u>6,418</u> |
| Operating lease costs:                        |              |              |
| Land and building                             | 112          | 87           |
| Plant, machinery and vehicles                 | 231          | 223          |
| Interest receivable                           | -            | -            |
| Interest payable on bank and other borrowings |              |              |
| - repayable within five years                 | 112          | 112          |
| - repayable after five years                  | 94           | 96           |
| Profit/(loss) on disposal of fixed assets     | -            | (29)         |
| Depreciation - owned assets                   | 1,397        | 1,309        |
| - leased assets                               | 31           | 31           |

Fees paid to auditors amounted to £38,000 (1993: £37,000) in respect of audit work, and £23,000 (1993: £18,000) in respect of non-audit work.



# N O T E S   T O   T H E   A C C O U N T S

## 4. Tax on profit on ordinary activities

Taxation on the profit for the year:

|   | Group | Group |
|---|-------|-------|
|   | 1994  | 1993  |
|   | £'000 | £'000 |
| U.K. corporation tax at 33% (1993: 33%) | 990   | 648   |
| Over provision in prior years           | (120) | (87)  |
|   | 870   | 561   |

No deferred taxation has been provided as there is no foreseeable liability at 30 November 1994 (30 November 1993: £ nil). Had full provision for deferred tax been made at current rates of taxation the potential liability to tax would be as follows:-

|                                | Group | Group |
|--------------------------------|-------|-------|
|                                | 1994  | 1993  |
|                                | £'000 | £'000 |
| Accelerated capital allowances | 1,527 | 1,514 |
| Short term timing differences  | (44)  | (27)  |
|                                | 1,483 | 1,487 |

## 5. Dividends

|                         |     |     |
|-------------------------|-----|-----|
| Interim dividend paid   | 247 | 216 |
| Final dividend proposed | 495 | 432 |
|                         | 742 | 648 |

## 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 £1,360,000 (1993: £1,067,000)



# N O T E S   T O   T H E   A C C O U N T S

## 7. Tangible fixed assets

| Group                  | Freehold<br>Land and<br>Buildings<br>£'000 | Plant,<br>Machinery &<br>Equipment<br>£'000 | Assets in<br>course of<br>Construction<br>£'000 | Motor<br>Vehicles<br>£'000 | Total<br>£'000 |
|------------------------|--|---|---|----------------------------|----------------|
| <b>Cost</b>            |  |   |   |                            |                |
| At 30 November 1993    | 967  | 13,192                                      | 434   | 25                         | 14,618         |
| Reclassification       | -  | 602   | (602)   | -                          | -              |
| Additions              | 5  | 579   | 1,740   | 4                          | 2,328          |
| Disposals              | -  | (34)  | -   | (16)                       | (50)           |
| At 30 November 1994    | 972  | 14,339                                      | 1,572   | 13                         | 16,896         |
| <b>Depreciation</b>    |  |   |   |                            |                |
| At 30 November 1993    | 208  | 5,100                                       | -   | 14                         | 5,322          |
| Charge for year        | 24   | 1,401                                       | -   | 3                          | 1,428          |
| Disposals              | -  | (30)  | -   | (14)                       | (44)           |
| At 30 November 1994    | 232  | 6,471                                       | -   | 3                          | 6,706          |
| <b>Net Book Amount</b> |  |   |   |                            |                |
| At 30 November 1994    | 740  | 7,868                                       | 1,572   | 10                         | 10,190         |
| At 30 November 1993    | 759  | 8,092                                       | 434   | 11                         | 9,296          |

### Company

|                        |     |        |       |      |        |
|------------------------|-----|--------|-------|------|--------|
| <b>Cost</b>            |     |        |       |      |        |
| At 30 November 1993    | 967 | 12,857 | 434   | 25   | 14,283 |
| Reclassification       | -   | 602    | (602) | -    | -      |
| Additions              | 5   | 531    | 1,506 | 4    | 2,046  |
| Disposals              | -   | (39)   | -     | (16) | (55)   |
| At 30 November 1994    | 972 | 13,951 | 1,338 | 13   | 16,274 |
| <b>Depreciation</b>    |     |        |       |      |        |
| At 30 November 1993    | 208 | 4,943  | -     | 14   | 5,165  |
| Charge for year        | 24  | 1,347  | -     | 3    | 1,374  |
| Disposals              | -   | (32)   | -     | (14) | (46)   |
| At 30 November 1994    | 232 | 6,258  | -     | 3    | 6,493  |
| <b>Net Book Amount</b> |     |        |       |      |        |
| At 30 November 1994    | 740 | 7,693  | 1,338 | 10   | 9,781  |
| At 30 November 1993    | 759 | 7,914  | 434   | 11   | 9,118  |

### Group

### Company

| 1994  | 1993  | 1994  | 1993  |
|-------|-------|-------|-------|
| £'000 | £'000 | £'000 | £'000 |

### Capital commitments

|                                   |     |     |     |     |
|-----------------------------------|-----|-----|-----|-----|
| Authorised but not contracted for | 318 | 92  | 278 | 92  |
| Contracted for but not provided   | 189 | 235 | 176 | 235 |

# N O T E S   T O   T H E   A C C O U N T S

## 8. Stocks

|                                     | Group |       | Company |       |
|-------------------------------------|-------|-------|---------|-------|
|                                     | 1994  | 1993  | 1994    | 1993  |
|                                     | £'000 | £'000 | £'000   | £'000 |
| Raw materials and consumables       | 1,841 | 1,567 | 1,743   | 1,504 |
| Work in progress                    | 703   | 596   | 678     | 589   |
| Finished goods and goods for resale | 2,948 | 2,318 | 2,798   | 2,286 |
|                                     | 5,492 | 4,481 | 5,219   | 4,379 |

## 9. Debtors

|                 |       |       |       |       |
|-----------------|-------|-------|-------|-------|
| Trade debtors   | 7,294 | 5,992 | 6,291 | 5,809 |
| VAT recoverable | 187   | 173   | 187   | 165   |
| ACT recoverable | 124   | 125   | 124   | 125   |
| Other debtors   | 49    | 37    | -     | -     |
| Prepayments     | 484   | 244   | 358   | 209   |
|                 | 8,138 | 6,571 | 6,960 | 6,308 |

## 10. Creditors: amounts falling due within one year

|                              |       |       |       |       |
|------------------------------|-------|-------|-------|-------|
| Bank overdraft (unsecured)   | 615   | 246   | -     | -     |
| Bank loans (Note 12)         | 150   | 230   | 150   | 230   |
| Trade creditors              | 4,675 | 3,472 | 3,755 | 3,390 |
| Taxation and social security | 347   | 341   | 377   | 330   |
| Proposed dividend            | 495   | 432   | 495   | 432   |
| Accruals                     | 1,188 | 846   | 930   | 830   |
| Corporation tax              | 1,058 | 826   | 1,258 | 1,043 |
|                              | 8,528 | 6,393 | 6,965 | 6,255 |

## 11. Creditors: amounts falling due after more than one year

|                      |       |       |       |       |
|----------------------|-------|-------|-------|-------|
| Bank loans (Note 12) | 750   | 900   | 750   | 900   |
| ECSC loan (Note 12)  | 500   | 500   | 500   | 500   |
|                      | 1,250 | 1,400 | 1,250 | 1,400 |

# N O T E S   T O   T H E   A C C O U N T S

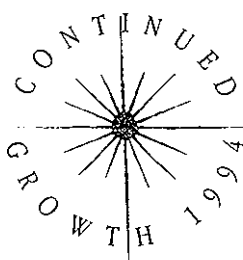
## 12. Bank loans

|   | Group |       | Company |       |
|---|-------|-------|---------|-------|
|   | 1994  | 1993  | 1994    | 1993  |
|   | £'000 | £'000 | £'000   | £'000 |
| Bank loan repaid on 30 October 1994   | -     | 80    | -       | 80    |
| Bank loan repayable by six annual instalments of £150,000 falling due in the period 23 April 1995 to 23 April 2000  | 900   | 1,050 | 900     | 1,050 |
| ECSC loan repayable by four annual instalments of £125,000 falling due in the period 3 August 1998 to 3 August 2001 | 500   | 500   | 500     | 500   |

The bank loans are unsecured and interest on the first loan was charged at 1.25% above Libor and on the second loan is charged at 1% above Libor. The ECSC loan is unsecured and bears interest at an effective rate of 6.1%

## 13. Provisions for liabilities and charges

Provisions represent £60,000 (1993 : £84,000) in respect of Pensions costs, see note 18.



# N O T E S   T O   T H E   A C C O U N T S

## 14. Called up share capital

|  | Group |       | Company |       |
|--|-------|-------|---------|-------|
|  | 1994  | 1993  | 1994    | 1993  |
|  | £'000 | £'000 | £'000   | £'000 |
| Authorised:  |       |       |         |       |
| 33,500,000 Ordinary shares of 2p each                    | 670   | 670   | 670     | 670   |
| Allotted and fully paid:                                 |       |       |         |       |
| 15,461,196 Ordinary shares of 2p each (1993: 15,424,935) | 309   | 308   | 309     | 308   |

Movements in the number of Ordinary shares during the year were:-

|  | Number     |
|--|------------|
| At 30 November 1993                                | 15,424,935 |
| Shares issued as fully paid upon the exercise of:- |            |
| Warrants (at 2.0p)                                 | 10,374     |
| Options (at 84.98p)                                | 25,887     |
| At 30 November 1994                                | 15,461,196 |

### Share options

The following options over Ordinary shares granted under the Porvair Share Option Scheme 1986 remain outstanding at 30 November 1994:

| Number of shares | Subscription price | Exercise period |
|------------------|--------------------|-----------------|
| 8,284            | 23.18p             | 1989-1996       |
| 31,062           | 89.81p             | 1992-1999       |
| 15,531           | 84.98p             | 1994-2001       |
| 172,000          | 135.00p            | 1995-2002       |
| 209,500          | 250.00p            | 1996-2003       |
| 81,000           | 285.00p            | 1997-2004       |
| 517,377          |                    |                 |

Movements in share options during the year were:-

|                               |          |
|-------------------------------|----------|
| At 30 November 1993           | 472,264  |
| Options granted (at 285.00p)  | 81,000   |
| Options exercised (at 84.98p) | (25,887) |
| Options lapsed (at 135.00p)   | (10,000) |
| At 30 November 1994           | 517,377  |

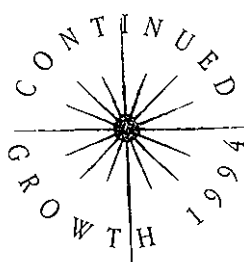
# N O T E S   T O   T H E   A C C O U N T S

## 15. Reserves

| Group                                    | Share<br>premium<br>account<br>£'000 | Capital<br>reserve<br>£'000 | Profit and<br>loss account<br>£'000 |
|--|--------------------------------------|-----------------------------|-------------------------------------|
| At 30 November 1993                      | 5,845                                | 951                         | 5,421                               |
| Amount set aside for the year            | -                                    | -                           | 1,501                               |
| Premium on shares issued                 | 21                                   | -                           | -                                   |
| Goodwill on consolidation<br>written off | -                                    | -                           | -                                   |
| At 30 November 1994                      | 5,866                                | 951                         | 6,922                               |

The cumulative goodwill written off on consolidation to 30 November 1994 was  
£3,230,000 (1993: £3,230,000)

| Company                       | Share<br>premium<br>account<br>£'000 | Capital<br>reserve<br>£'000 | Profit and<br>loss account<br>£'000 |
|-------------------------------|--------------------------------------|-----------------------------|-------------------------------------|
| At 30 November 1993           | 5,845                                | 951                         | 6,313                               |
| Amount set aside for the year | -                                    | -                           | 1,360                               |
| Premium on shares issued      | 21                                   | -                           | -                                   |
| At 30 November 1994           | 5,866                                | 951                         | 7,673                               |



### 16. Operating lease commitments

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

|                          | Group<br>1994       |       | Group<br>1993       |       |
|--------------------------|---------------------|-------|---------------------|-------|
|                          | Land &<br>Buildings | Other | Land &<br>Buildings | Other |
| Within one year          | -                   | 82    | -                   | 42    |
| Within two to five years | -                   | 126   | -                   | 124   |
| Over five years          | 149                 | -     | 112                 | -     |
|                          | 149                 | 208   | 112                 | 166   |

### 17. Contingent Liabilities

At 30 November 1994 there were no contingent liabilities (30 November 1993: £ Nil).

### 18. Pension Costs

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 professional Chairman.

Formal valuations of the pension scheme by a professionally qualified actuary are carried out at least every three years, using the projected unit method. The latest actuarial valuation was at 1 April 1994. For the purposes of assessing pension costs under SSAP24, the principal actuarial assumptions adopted in that valuation were that over the long term, the annual rate of return on investments would be 9.75% per annum, that salary increases would average 6% per annum, 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 81% of the benefits that had accrued to members after allowing for expected future increases in pensionable remuneration, and the current funding deficiency amounted to £1,297,000. The Company's contributions have been increased to 12% during 1994 while the Employees' contributions have remained at 5%. The ongoing funding status of the plan is expected to reach 100% in 5 years.

The pension cost charge for the year was £528,000. The funding via employer contributions was £552,000 and therefore the balance sheet provision has reduced by £24,000 to £60,000.

The market value of the scheme's assets at 31 March 1994 was £6.6 million (31 March 1993 : £5.3 million).

# N O T E S   T O   T H E   A C C O U N T S

## 19. Employees

The average number of persons employed by the Group in the United Kingdom during the year was 376 (1993: 354), of which 116 were based at Porvair Technology Limited and 260 based at other companies, predominantly Porvair International Limited.

## 20. Emoluments of Directors

|                         | Group<br>1994<br>£'000 | Group<br>1993<br>£'000 |
|-------------------------|------------------------|------------------------|
| Salary                  | 250                    | 223                    |
| Performance related pay | 24                     | 16                     |
| Pension                 | 33                     | 28                     |
| Fees                    | 33                     | 30                     |
| Other benefits          | 27                     | 30                     |
|                         | 367                    | 327                    |

### Chairman and highest paid Director

|                         |     |    |
|-------------------------|-----|----|
| Salary                  | 76  | 68 |
| Performance related pay | 9   | 5  |
| Pension                 | 10  | 7  |
| Other benefits          | 7   | 8  |
|                         | 102 | 88 |

Performance related pay is based on the achievement of sales, profit and cash targets and personal business objectives and is determined by the Remuneration Committee. Full details of share options granted to Directors are disclosed in Note 14 and the Directors Report.

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

|                   | Group<br>1994<br>Number | Group<br>1993<br>Number |
|-------------------|-------------------------|-------------------------|
| £    0 - £ 5,000  | 1                       | -                       |
| £ 5,001 - £10,000 | -                       | 3                       |
| £10,001- £15,000  | 3                       | -                       |
| £50,001- £55,000  | -                       | 1                       |
| £55,001- £60,000  | 1                       | -                       |
| £60,001- £65,000  | -                       | 1                       |
| £65,001- £70,000  | 1                       | -                       |
| £70,001- £75,001  | -                       | 1                       |
| £80,001- £85,000  | 1                       | 1                       |
| £90,001- £95,000  | 1                       | -                       |

## 21. Earnings per share

The earnings per share as shown in the profit and loss account are calculated by reference to the profit for the financial year and the average number of shares in issue during the year on a time weighted basis of 15,452,049 (1993: 15,401,419).

## 22. Fixed asset investments

| Company             | Shares in<br>subsidiary<br>£'000 | Loans to<br>subsidiaries<br>£'000 | Shares in<br>Associate<br>£'000 | Total<br>£'000 |
|---------------------|----------------------------------|-----------------------------------|---------------------------------|----------------|
| At 30 November 1993 | 316                              | 624                               | -                               | 940            |
| Additions           | -                                | 52                                | 4                               | 56             |
| At 30 November 1994 | 316                              | 676                               | 4                               | 996            |

Additions to shares in subsidiaries and associates are recorded at cost.

Details of the Group's subsidiaries are given in Note 23.

The shares in associate represent a 25% holding in Phoenix Travel (King's Lynn) Limited.

## 23. The Company and its subsidiaries

The results of the Company include the activities of Porvair International and Porvair Technology. The results of the Group consolidate the results of the Company with those of its subsidiaries. The principal active subsidiaries are as follows:

| Name of Subsidiary           | Share Details | Percentage<br>holding |
|------------------------------|---------------|-----------------------|
| Porvair Ceramics Limited     | £1 Ordinary   | 90%                   |
| Porvair Sports Goods Limited | £1 Ordinary   | 100%                  |
| Porvair Filtronics Limited   | 20p Ordinary  | 75%                   |
|                              | £1 Preference | 100%                  |

In addition, the following dormant subsidiaries act as agents for the Company:

|                               |             |      |
|-------------------------------|-------------|------|
| Porvair International Limited | £1 Ordinary | 100% |
| Porvair Technology Limited    | £1 Ordinary | 100% |

All Companies are registered and operate within Great Britain and have been consolidated in the Group accounts. A full description of the subsidiary company businesses is given in the Operating Review.

All Group companies except Porvair Filtronics Limited were audited by Price Waterhouse for the period under review.



# N O T E S   T O   T H E   A C C O U N T S

## 24. Reconciliation of operating profit to net cash inflow from operating activities:

|   | Group<br>1994<br>£'000 | Group<br>1993<br>£'000 |
|---|------------------------|------------------------|
| Operating profit                          | 3,311                  | 2,759                  |
| Depreciation                              | 1,428                  | 1,340                  |
| Loss on sale of fixed assets              | -                      | 29                     |
| Increase in stocks                        | (1,011)                | (197)                  |
| Increase in debtors                       | (1,568)                | (244)                  |
| Increase in creditors                     | 1,512                  | 388                    |
| Net cash inflow from operating activities | 3,672                  | 4,075                  |

## 25. Analysis of changes in cash and cash equivalents during the year

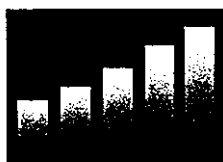
|                           |       |         |
|---------------------------|-------|---------|
| At 30 November 1993       | (245) | (1,719) |
| Net cash inflow/(outflow) | (369) | 1,474   |
| At 30 November 1994       | (614) | (245)   |

## 26. Analysis of the balance of cash and cash equivalents as shown in the balance sheet

|                          | Change<br>in year<br>£'000 | Group<br>1994<br>£'000 | Group<br>1993<br>£'000 |
|--------------------------|----------------------------|------------------------|------------------------|
| Cash at bank and in hand | -                          | 1                      | 1                      |
| Bank overdraft           | (369)                      | (615)                  | (246)                  |
|                          | (369)                      | (614)                  | (245)                  |

## 27. Analysis of changes in financing during the year:

|                                      | Share<br>capital<br>£'000 | Loans<br>£'000 |
|--------------------------------------|---------------------------|----------------|
| At 30 November 1993                  | 6,153                     | 1,630          |
| Cash inflow/(outflow) from financing | 22                        | (230)          |
| At 30 November 1994                  | 6,175                     | 1,400          |



## F I V E   Y E A R   S U M M A R Y

### *FINANCIAL RECORD*

|  | 1994<br>£'000 | 1993<br>£'000 | 1992<br>£'000 | 1991<br>£'000 | 1990<br>£'000 |
|--|---------------|---------------|---------------|---------------|---------------|
| <b>Profit and loss account</b>         |               |               |               |               |               |
| TURNOVER                               | 24,832        | 21,893        | 17,947        | 16,663        | 15,535        |
| PROFIT BEFORE TAXATION                 | 3,105         | 2,551         | 2,017         | 1,677         | 1,511         |
| TAXATION                               | (870)         | (561)         | (388)         | (347)         | (109)         |
| PROFIT AFTER TAXATION                  | 2,235         | 1,990         | 1,629         | 1,330         | 1,402         |
| MINORITY INTERESTS                     | 8             | 39            | 77            | -             | -             |
| PROFIT FOR THE FINANCIAL YEAR          | 2,243         | 2,029         | 1,706         | 1,330         | 1,402         |
| DIVIDENDS                              | (742)         | (648)         | (553)         | (404)         | (364)         |
| RETAINED PROFITS                       | 1,501         | 1,381         | 1,153         | 926           | 1,038         |
| <b>Balance sheet</b>                   |               |               |               |               |               |
| FIXED ASSETS                           | 10,194        | 9,296         | 8,842         | 8,251         | 7,715         |
| CURRENT ASSETS                         | 13,631        | 11,053        | 10,621        | 8,756         | 8,386         |
|  | 23,825        | 20,349        | 19,463        | 17,007        | 16,101        |
| CURRENT LIABILITIES                    | (8,528)       | (6,393)       | (6,462)       | (5,656)       | (5,385)       |
|  | 15,297        | 13,956        | 13,001        | 11,351        | 10,716        |
| LONG TERM LIABILITIES                  | (1,250)       | (1,400)       | (1,130)       | (1,429)       | (1,744)       |
| PROVISIONS FOR LIABILITIES AND CHARGES | (60)          | (84)          | (690)         | -             | -             |
|  | 13,987        | 12,472        | 11,181        | 9,922         | 8,972         |
| <b>Capital and reserves</b>            |               |               |               |               |               |
| CALLED UP SHARE CAPITAL                | 309           | 308           | 307           | 245           | 242           |
| SHARE PREMIUM ACCOUNT                  | 5,866         | 5,845         | 5,804         | 2,609         | 2,588         |
| CAPITAL RESERVE                        | 951           | 951           | 951           | 951           | 951           |
| PROFIT & LOSS ACCOUNT                  | 6,922         | 5,421         | 4,185         | 6,117         | 5,191         |
| SHAREHOLDERS' FUNDS                    | 14,048        | 12,525        | 11,247        | 9,922         | 8,972         |
| MINORITY INTEREST                      | (61)          | (53)          | (66)          | -             | -             |
|  | 13,987        | 12,472        | 11,181        | 9,922         | 8,972         |
| EARNINGS PER SHARE                     | 14.5p         | 13.2p         | 11.6p         | 10.5p         | 11.1p         |
| DIVIDENDS PER SHARE                    | 4.8p          | 4.2p          | 3.6p          | 3.2p          | 2.9p          |

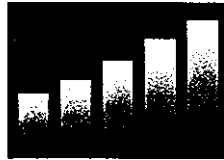


## D I R E C T O R S ,   S E C R E T A R Y   A N D   A D V I S O R S

|  |   |                                       |  |
|--|---|---------------------------------------|--|
| <b>Directors</b>                             | John Morgan (Chairman)<br>Ernest Bostwick*<br>Neil Clarke*<br>Anthony Collinson<br>Peter Greenwood*<br>Kenneth Symonds<br>William Wallis*<br>*Non-Executive | <b>Auditors</b>                       | Price Waterhouse<br>Victoria House<br>76 Milton Street<br>Nottingham NG1 3QY                           |
| <b>Members of The Audit Committee</b>        | Ernest Bostwick<br>Neil Clarke<br>Peter Greenwood<br>William Wallis (Chairman)  | <b>Bankers</b>                        | Barclays Bank PLC<br>21 Tuesday Market Place<br>King's Lynn<br>Norfolk PE30 1JX                        |
| <b>Members of The Remuneration Committee</b> | Ernest Bostwick (Chairman)<br>Neil Clarke<br>Peter Greenwood<br>John Morgan<br>William Wallis   | <b>Registrars and transfer office</b> | Independent Registrars<br>Group Limited<br>Broseley House<br>Newlands Drive<br>Witham<br>Essex CM8 2UL |
| <b>Secretary and registered office</b>       | Kenneth John Symonds<br>Riverside Industrial Estate<br>Estuary Road<br>King's Lynn<br>Norfolk PE30 2HS  | <b>Solicitors</b>                     | Travers Smith Braithwaite<br>10 Snow Hill<br>London EC1A 2AL   |
| <b>Company registration number</b>           | 1661935   | <b>Stockbrokers</b>                   | Beeson Gregory Limited<br>The Registry<br>Royal Mint Court<br>London EC3N 4EY                          |

## F I N A N C I A L   C A L E N D A R

|                  |   |
|------------------|---|
| 2 February 1995  | Preliminary announcement of results                             |
| 13 February 1995 | Ex dividend date for final dividend on ordinary shares          |
| 2 March 1995     | Closure of share register for final dividend on ordinary shares |
| 11 April 1995    | Annual General Meeting  |
| 12 April 1995    | Payment of final dividend on ordinary shares                    |
| 31 May 1995      | Financial half year end   |
| September 1995   | Announcement of interim results                                 |
| October 1995     | Payment of interim dividend on ordinary shares                  |
| 30 November 1995 | Financial year end  |



## N O T I C E   O F   M E E T I N G

---

Notice is hereby given that the Annual General Meeting of Porvair plc will be held at The Assembly Rooms, King's Lynn Town Hall, Saturday Market Place, King's Lynn, Norfolk, PE30 1HY on Tuesday 11 April 1995 at 12 noon for the purpose of transacting the following business namely:

1. To receive and consider the Directors' report and audited accounts for the year ended 30 November 1994.
2. To consider and declare a final dividend on the Ordinary shares.
3. To re-elect Mr A R Collinson as a Director of the Company.
4. To re-elect Mr W O F Wallis as a Director of the Company.
5. To re-elect Mr J N Clarke as a Director of the Company.
6. To re-appoint Price Waterhouse as auditors of the Company and to authorise the Directors to fix their remuneration.

### **Special Business**

To consider and if thought fit pass the following resolutions, of which number 7 will be proposed as an ordinary resolution and number 8 will be proposed as a special resolution.

7. That for the purposes of Section 80 of the Companies Act 1985 (expressions used in this resolution bearing the same meaning as in the said Section):
  - (i) the Directors be generally and unconditionally authorised to allot relevant securities up to a maximum nominal amount of £113,423 to such persons at such times and on such terms as they think proper during the period expiring on 10 April 2000; and
  - (ii) the Company be and it 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 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 in this resolution

and that all previous authorities of the Directors pursuant to Section 80 of the Companies Act 1985 be and are hereby revoked.

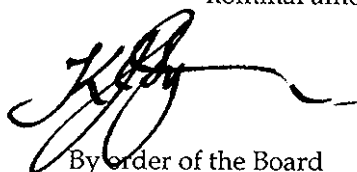
8. That subject to the passing of resolution 7 set out in the notice convening this meeting, the Directors be empowered in accordance with Section 95 of the Companies Act 1985 to make allotments of equity securities (as defined in Section 94 of the Companies Act 1985) for cash pursuant to the authority conferred upon them by that resolution as if Section 89(1) of the Companies Act 1985 did not apply to any such allotment and so that:

## N O T I C E   O F   M E E T I N G

- (a) references to allotment in this resolution shall be construed in accordance with Section 94(3) of the said Act; and
- (b) the power conferred by this resolution shall enable the Company to make any offer or agreement before the expiry of the said period which would or might require equity securities to be allotted after the expiry of the said power and the Directors may allot equity securities in pursuance of any such offer or agreement notwithstanding the expiry of such power;

Provided however, that the power conferred by this resolution shall expire at the conclusion of the next Annual General Meeting of the Company (except to the extent that the same is renewed or extended on or before that date) or, if earlier, on 10 July 1996, and shall be limited:

- (i) to the allotment of equity securities in connection with or pursuant, to an offer by way of rights, open offer or otherwise in favour of the holders of Ordinary shares and other persons entitled to participate therein, where equity securities respectively attributable to such holders and other persons are proportionate (as nearly as may be) to such holders' or to such other persons' holdings of such shares (or, as appropriate, to the numbers of such shares which such other persons are for these purposes deemed to hold) subject only to such exclusions or other arrangements as the Directors may consider necessary or expedient to deal with fractional entitlements or legal and practical problems under the laws of or the requirements of any recognised regulatory body or any stock exchange in any territory; and
- (ii) to the allotment (otherwise than aforesaid) of equity securities up to an aggregate nominal amount of £15,462.



By order of the Board  
K J Symonds  
Secretary  
22 February 1995

### 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, and at the Annual General Meeting.

# Form of Proxy

I/We .....

(PLEASE USE BLOCK LETTERS)

of .....

being (a) member(s) of Porvair plc hereby appoint the Chairman of the meeting\*

or .....

as my/our proxy to attend and vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on Tuesday 11 April 1995 and at any adjournment thereof.

\*An alternative proxy, who need not be a member of the Company may be named if desired.

I/We direct our proxy to vote as follows:

| Resolutions   | For | Against |
|---|-----|---------|
| 1. To receive the Directors' report and audited accounts for the year ended 30 November 1994                          |     |         |
| 2. To declare a final dividend on the Ordinary shares   |     |         |
| 3. To re-elect Mr. A. R. Collinson as a Director of the Company   |     |         |
| 4. To re-elect Mr. W. O. F. Wallis as a Director of the Company   |     |         |
| 5. To re-elect Mr J. N. Clarke as a Director of the Company   |     |         |
| 6. To re-appoint Price Waterhouse as Auditors of the Company and to authorise the Directors to fix their remuneration |     |         |
| 7. To authorise the allotment of shares pursuant to the Companies Act 1985  |     |         |
| 8. To authorise the disapplication of pre-emption rights pursuant to the Companies Act 1985                           |     |         |

Please indicate how you wish to vote on each resolution by placing a tick in the appropriate box. If no indication is given, the proxy will exercise his discretion both as to how he votes and whether or not he abstains from voting.

Date this ..... day of .....

Signature .....

## Notes

- Any alteration made on this form must be initialled.
- If the appointer is a Corporation, this form must be executed under its Common Seal or signed on its behalf by an Attorney or officer of the Corporation.
- In the case of joint holders, any holder may sign this form.
- To be effective, this form and the Power of Attorney or other authority if any, under which it is signed, must be lodged at the Independent Registrars Group Limited, Broseley House, Newlands Drive, Witham, Essex CM8 2UL not later than 48 hours before the time of the meeting.
- Any shareholder voting by proxy may also attend the Annual General Meeting.

First Fold

Third Fold (Tuck-in)

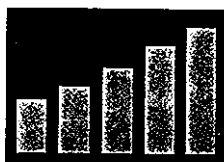
BUSINESS REPLY SERVICE  
Licence No. CL 450



**Independent Registrars Group Limited  
Registrars for Porvair plc  
Broseley House  
Newlands Drive  
Witham  
Essex CM8 2BR**

Second Fold

First Fold



## DIRECTORS' BIOGRAPHIES

### EXECUTIVE DIRECTORS

#### John Morgan, 55, Chairman

A Chemical Engineer with experience as a management consultant, he joined Porvair in 1979, becoming Managing Director in 1982 after leading the management buyout. He became Chairman in 1990.



#### Anthony Collinson, 52, Managing Director of Porvair International

He joined the company in 1989. Formerly holding positions as Managing Director for Scotfresh Limited, Irish Leathers PLC and Holmes Hall Tanners Limited. He has considerable experience of the footwear and leather industry and overseas markets.

#### Kenneth Symonds, 46, Group Finance Director

He joined the company in 1985. Formerly holding financial and commercial positions with McCorquodale plc and Bayer AG. He is a Certified Accountant, Cost and Management Accountant and Chartered Secretary.

● Left to right: John Morgan, Anthony Collinson, Kenneth Symonds.

### NON-EXECUTIVE DIRECTORS

#### Ernest Bostwick, 62

He was appointed in 1988, and became Chairman of the Remuneration Committee in 1993. Formerly Northern Regional General Manager of GEC Telecommunications, Chairman of several privately owned UK companies, and a board member of the DTI Regional Industry Advisory Board.

#### Neil Clarke, 60

He was appointed in 1994. Formerly Chief Executive and Deputy Chairman of Charter Consolidated plc and Chairman of Johnson Matthey plc and Molins PLC, he was also a Director of Consolidated Gold Fields and Anglo American Corporation of South Africa. He is currently Chairman of British Coal Corporation and Genchem Holdings Ltd and a Director of Travis Perkins plc. He is a Chartered Accountant.

#### Peter Greenwood, 60

He was appointed in 1986. A qualified lawyer, he is Managing Director of Molins PLC. He has a broad commercial knowledge of overseas markets.

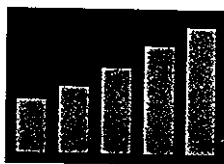


● Left to right: Ernest Bostwick, Neil Clarke, Peter Greenwood, William Wallis.

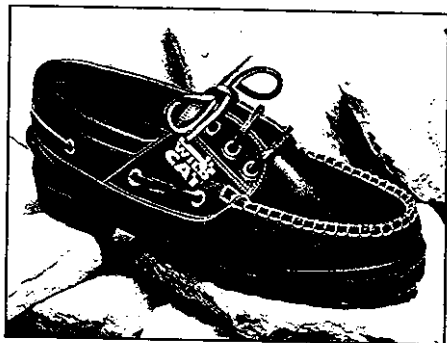
#### William Wallis, 57

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 is Mergers and Acquisitions Manager at Commercial Union plc. Previously he was Director of Corporate Finance with a merchant bank.





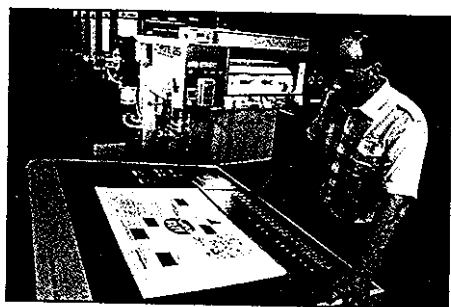
# INDUSTRIES WE SERVE



SPORTS

SHOE AND  
LEATHER GOODS

FILTRATION

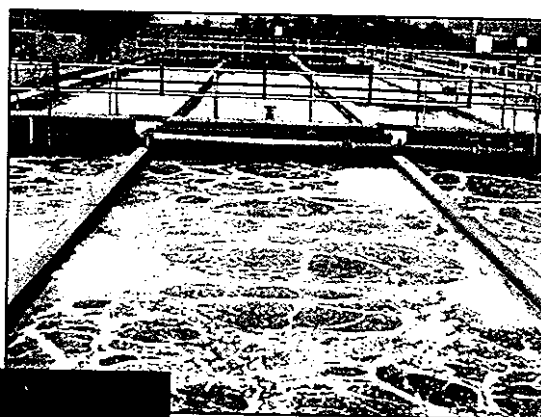


PRINTING

DIAGNOSTICS

PHARMACEUTICAL

MEDICAL



CERAMIC

CLOTHING

POWDER HANDLING

AUTOMOTIVE

GEOTECHNICAL

PHOTOGRAPHIC

BIOTECHNOLOGY



CONTINUED  
GROWTH 1994