



Preliminary results for the year ended 30 November 2008

A year of growth and investment

Porvair plc ("Porvair"), the specialist filtration and environmental technology group, today announces its preliminary results for the year ended 30 November 2008.

Financial highlights

- Revenue up 20% to £54.8m (2007: £45.5m)
- Profit before tax up 23% to £4.2m (2007: £3.4m)
- Earnings per share up 21% to 7.0p (2007: 5.8p)

Operating highlights

Growth

- Microfiltration revenue grew 23% to £32.3m (2007: £26.2m). 11% revenue growth, excluding acquisitions, driven by strong demand from aviation and energy sectors in particular.
- Metals Filtration sales grew 11% to a record \$42.9m (2007: \$38.6m).
- Key growth projects contributed 11% of total revenue at £6.0m as new products began commercial sales.

Investment

- **Acquisitions:**
 - Toolturn Engineering Limited acquired to support aviation and energy growth.
 - Seal Analytical Limited acquired to expand presence in attractive clean water markets.
- **Facilities:**
 - New Microfiltration facilities opened to accommodate growth.
- **Capabilities:**
 - Upgraded equipment in Metals Filtration to improve quality and reduce manufacturing labour costs.
 - Additional capacity installed for key growth projects set to launch in 2009.
- To accommodate these investments, banking arrangements for the next three years were renewed in July 2008.

Commenting on the results and outlook, Ben Stocks, Chief Executive, said:

"As previously reported, current trading overall is satisfactory. We are experiencing healthy demand from aviation, energy and clean water customers and this is balanced by weaker demand from US automotive and some general industrial segments. We are alert to the economic outlook and have addressed operating costs in those parts of the Group where we have seen demand soften or where we perceive a risk of weakening demand. Whilst current Sterling exchange rates inflate reported borrowings, they also help UK exports and improve the retranslation of US dollar denominated profits.

"Porvair has a very broad customer base and diversified end markets. The specialist nature of our installed product base makes substitution difficult. Our filters are consumable – their use is often mandated by custom or regulation and they are usually replaced as part of a maintenance cycle. These features will give some resilience in difficult times. The fact that 11% of our sales in 2008 came from new products offers good prospects for margin and market share enhancement in 2009. We are prepared for the next year or so to be more challenging, but we also see opportunities ahead and expect Porvair to be well placed for continued growth as and when markets allow."

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Chairman and Chief Executive's statement

Overview

2008 was a year of growth and investment at Porvair, the year in which our long term new product development activities started to make a significant contribution to our results.

Revenues in the year ended 30 November 2008 were £54.8m, an increase of 20% on the prior year (2007: £45.5m). Profit before tax increased 23% to £4.2m (2007: £3.4m). Earnings per share increased 21% to 7.0p (2007: 5.8p).

New products generated revenue of £6.0m, 11% of total revenue. It is a pleasure to be able to report this to shareholders as some of these products have taken five years or more to bring to market. As we head into a period of economic uncertainty it is encouraging to have a healthy roster of newly launched products in our portfolio.

2008 was also a year of investment. £8.6m was deployed in acquiring Toolturn Engineering Limited ("Toolturn") and Seal Analytical Limited ("Seal"); moving to new facilities in Fareham; generating efficiency savings in Metal Filtration and expanding capacity for new products. These investments increased net borrowings at the end of the year to £16.4m (2007: £7.0m), a figure which includes £2.4m attributable to currency translation into a weaker Sterling. Three year banking facilities to accommodate these investments were put in place in July 2008.

Porvair's activities and strategy

Porvair specialises in filtration and related environmental technology. We operate two divisions. The Microfiltration division comprises the Porvair Filtration Group, Porvair Sciences and Seal Analytical. It serves aviation, life sciences, clean water, energy and other markets. The Metals Filtration division trades as SELEE Corp and its primary focus is molten aluminium filtration where it has a global market leadership position. Selee also has strong market positions in US foundry and super-alloy filtration.

The Group manufactures in the UK, USA and Germany and sales are global.

Porvair's strategy for the creation of growth and sustainable shareholder value is to:

- Develop filtration and environmental technology positions in markets where typically:
 - specialist design or engineering skills win business;
 - regulation or quality accreditation requirements mandate product use;
 - consumable products are often replaced as part of a maintenance routine in order to protect more costly downstream components;
 - products, once designed into a specification, have very long lifecycles.
- Broaden the range of products Porvair delivers to key market segments, particularly in aviation, aluminium, energy and clean water as these all have good long term growth characteristics.
- Acquire complementary businesses that meet financial and commercial criteria.
- Maintain an appropriately funded balance sheet and generate sufficient cash to sustain a progressive dividend policy.

Operating review

Microfiltration

The Microfiltration division performed strongly in 2008 showing 11% like-for-like revenue growth. Total revenue including acquisitions was £32.3m (2007: £26.2m). Operating profits were up 16% to £5.1m (2007: £4.4m).

All key market segments performed well. Our aviation business in Fareham had another good year. Revenues have grown by 10% compound annually over the last five years and having run out of space, we opened new facilities to accommodate this growth. The new plant has better clean room, manufacturing, test and laboratory facilities and gives us room for further expansion – indeed part of Seal will move into this building in early 2009. Toolturn, a key supplier located very close to the new plant, was acquired in March to secure access to critical skills and to allow us to tender for more added-value work around the filters we design. Bringing Toolturn into the business and upgrading our facilities undoubtedly helped in signing several long term aviation contracts later in the year.

2008 was a good year for energy related sales in general and gasification orders in particular. The energy order book for 2009 is healthy. Gasification continues to be a major focus of our engineering work, with sales exceeding £1m in 2008, although global financial issues have slowed some customers' projects in recent months. This is not the case for nuclear programmes, several of which are accelerating in 2009 with the order book forecasting stronger sales revenues in the second half of the coming year.

Omnifilter, the US subsidiary of this division which will be renamed Porvair Filtration Group Inc in 2009, completed its first full year under our ownership with success. It grew 19% in 2008 and improved margins.

Seal joined the Microfiltration division in July 2008 in order to build on our presence in the clean water market. The final consideration was £5.6m, of which £4.3m was paid in cash and the remainder in Porvair shares. Seal designs and manufactures laboratory based water analysis equipment and related consumables. The business has a number of attractive characteristics. It operates in a well defined and growing market niche. Its highly respected products are market-leading and, in many applications, demonstrably best-in-class. Water analysis is mandatory in much of the world, and must be carried out by approved methods for which Seal products are ideally suited. Integration of Seal is proceeding well. We will incorporate its UK operations into our existing plants in early 2009 and our strategy, which is based on re-connecting the business with its extensive installed base, is progressing well.

Metals Filtration

Metals Filtration reported record sales of \$42.9m, up 11% (2007: \$38.6m) driven by export growth, new products and price rises applied during the year to cover raw material increases. Operating profits rose to \$2.0m (2007: \$0.6m).

As reported at the interim stage, raw material increases early in the year were passed on successfully, albeit with a time lag as customer contract renewals came up. Margins were compressed for several months during the year, although they had largely recovered by the end of the year.

New "CSX" filters were launched in September 2008. Aluminium filtration by ceramic foam filter was invented by Selee in the 1970's, and the basic formulation, much copied around the world, has hardly changed since. Our new proprietary CSX product offers superior filtration performance and much better materials handling characteristics. Initial customer trials started in 2007, and we began to get full customer qualifications during 2008. By the end of the year around 20% of our output was converted with both new and existing customers transferring.

Other products that became fully commercial this year were our new nickel cobalt filters for super-alloys, which achieved full customer qualification in May; a bespoke filter for use in solar panel manufacture; and a proprietary investment casting filter which is sold together with ancillary refractories. Some of these products have been in development for over five years, a period during which margins at Selee have been

under pressure. The business has long had strong market positions and with these new products the Board believes that prospects for the future are good.

Two further products are expected to be launched in 2009:

- An advanced battery component. This project follows work previously done with fuel cells. Pre-production samples are currently in customer trials and provided these are successful commercial production will start in the second quarter of 2009. Production facilities were installed during the year. Almost a half of the \$2m costs associated were covered in the form of a prepayment from the customer, against a multi-year sales contract.
- A new foundry filtration product. This product is currently at the customer and production trial stage. Depending on the outcome of these trials commercial sales will commence in the second quarter of 2009.

Earnings per share, dividend and financing

Earnings per share increased 21% to 7.0p (2007: 5.8p) per share. The Directors recommend a final dividend of 1.25p (2007: 1.20p) per share, making a full year dividend of 2.25p (2007: 2.20p) per share.

Net borrowings at the year end were £16.4m (2007: £7.0m). Operating cash flow before working capital movements was £6.6m (2007: £5.3m). In a year of investment two acquisitions were successfully completed and integrated at a total cash cost in the year of £5.1m. £3.5m was invested in capital expenditure, principally: £1.0m invested in new manufacturing facilities in Microfiltration to accommodate growth; production efficiency investments of £0.4m in Metals Filtration, which have lowered manufacturing costs; and £1.6m invested in production capacity for key growth projects. Reported borrowings were further increased by £2.4m due to the currency translation impact of weaker Sterling at the year end.

Three year financing facilities were put in place in July 2008. At 30 November 2008 the Group had £5.3m in cash and un-drawn facilities. Interest cover was 7 times (2007: 8 times).

Staff

On behalf of the Board we are pleased to welcome new colleagues in Toolturn and Seal, and we wish them well for the future. We have had a number of successes in Porvair in 2008. Two in particular stand out: the opening of the new Fareham factory without loss of customer service; and the final trials and launch of our new aluminium and NiCo filters at Selee. Our particular thanks go to the teams involved in these projects. The hard work of all our staff makes Porvair a better business every year, and we are most grateful for all their efforts.

We are sad to report that John Morgan, our former Chairman and Chief Executive, died recently. John was instrumental in building Porvair. He led the management buyout of the Group in 1982 and its stock market debut in 1988. He was an enthusiastic proponent of change and oversaw the development of the business from polymer products to filtration and environmental technology specialists. He remained close to the business and many of its current and former staff after his retirement in 2006. His wise counsel and enthusiasm will be greatly missed.

Current trading and outlook

As previously reported, current trading overall is satisfactory. We are experiencing healthy demand from aviation, energy and clean water customers and this is balanced by weaker demand from US automotive and some general industrial segments. We are alert to the economic outlook and have addressed operating costs in those parts of the group where we have seen demand soften or where we perceive a risk of weakening demand. Whilst current Sterling exchange rates inflate reported borrowings, they also help UK exports and improve the retranslation of US dollar denominated profits.

Porvair has a very broad customer base and diversified end markets. The specialist nature of our installed product base makes substitution difficult. Our filters are consumable – their use is often mandated by custom or regulation and they are usually replaced as part of a maintenance cycle. These features will give some resilience in difficult times. The fact that 11% of our sales in 2008 came from new

products offers good prospects for margin and market share enhancement in 2009. We are prepared for the next year or so to be more challenging, but we also see opportunities ahead and expect Porvair to be well placed for continued growth as and when markets allow.

Charles Matthews – Chairman

Ben Stocks – Chief Executive

26 January 2009

Finance Director's review

Group operating performance

Group revenues were £54.8m (2007: £45.5m) and operating profits were £4.8m (2007: £3.8m). The operating performance of the Microfiltration and Metals Filtration divisions are described in detail in the Chairman and Chief Executive's statement. The operating loss associated with the Other Unallocated segment was £1.3m (2007: £0.9m), which mainly comprises Group corporate costs, some research and development costs, new business development costs and general financial services. In 2007 the Other Unallocated segment included provisions written back of £0.4m related to disposed businesses and property.

Key performance indicators

The Group considers its key performance indicators to be: the sales growth and operating margins of its principal operations; the profit before tax growth; earnings per share growth; interest cover, gearing; and return on capital employed. The table below summarises these indicators:

Key performance indicators	2008	2007
Sales growth - Metals Filtration (US dollars)	11%	7%
Sales growth - Microfiltration	23%	(1)%
Operating margin - Group	9%	8%
Operating margin - Metals Filtration (Before restructuring in 2007)	5%	3%
Operating margin - Microfiltration	16%	17%
Profit before tax growth	23%	10%
Earnings per share growth	21%	12%
Interest cover	7 times	8 times
Gearing	40%	20%
ROCE	8%	9%

The Group also considers progress towards commercialisation of its key growth projects to be a key indicator of performance. These indicators are discussed in detail throughout the Chairman and Chief Executive's statement and the Finance Director's review.

Impact of exchange rate movements on performance

Due to the international nature of the Group's business relative movements in exchange rates have an impact on the reported performance. Sterling weakened significantly against the US dollar and the Euro in the final quarter of the year; however the Group had sold forward its 2008 US dollar revenue generated by its UK business at rates similar to those achieved in 2007 and the average rate used for translating the results of US operations into Sterling was less than 5% different from 2007. Consequently the Group's operating results for the year were not materially impacted by currency movements as compared with 2007.

Finance costs

Net interest payable increased to £0.7m (2007: £0.5m). Interest paid increased as Group borrowings in the year rose to fund capital expenditure and acquisitions, offset by some reduction in the effective interest rates. There was a finance credit in relation to the closed defined benefit pension scheme of £0.1m (2007: £0.1m). Interest cover was 7 times (2007: 8 times).

Tax

The Group tax charge of £1.3m (2007: £1.0m) represents an effective tax rate of 31% (2007: 30%) on profits before tax. The tax charge comprises current tax of £0.8m (2007: £0.5m) and a deferred tax charge of £0.5m (2007: £0.5m). The Group carries a deferred tax asset in relation to the past losses in its US operations and the deficit on the pension fund. This tax asset related to the past losses is limited to the amount expected to be recovered in the foreseeable future.

Shareholders' funds

Shareholders' funds at 30 November 2008 were £41.2m (2007: £34.4m), an increase of 20% over the prior year. Shareholders' funds increased by the profit after tax of £2.9m and a write back of £0.1m relating to share based payments; new shares issued on the acquisition of Seal added £1.3m. Shareholders' funds were increased by exchange gains on retranslation of foreign currencies of £5.1m. Dividends paid of £0.9m and actuarial losses net of deferred tax of £1.7m reduced shareholders funds.

Cash flow

Net cash generated from operations was £4.2m (2007: £5.7m). Operating cash flow before working capital movements was £6.6m (2007: £5.3m). Working capital outflows of £2.4m (2007: inflow of £0.4m) principally comprise: increases in stock to service 20% sales growth; the impact of higher raw material prices in Metals Filtration; a reduction of Seal's trade payables; and the impact of expenditure in 2008 of cash received in 2007 related to the new Microfiltration premises.

Net interest paid was £0.7m (2007: £0.6m). The higher interest charge reflects the impact of increased borrowings to finance capital expenditure and acquisitions, offset by lower overall interest rates.

Tax paid of £0.6m (2007: £0.6m) was lower than the current tax charge as a result of repayments relating to prior periods.

Capital expenditure increased to £3.5m (2007: £2.0m). The main investments were: the fit out of the new Microfiltration facility; additional manufacturing capacity installed in Metals Filtration for new products; and the capitalisation of associated development and project management costs.

£5.1m was paid to fund acquisitions: £0.8m relates to the acquisition of Toolturn and £4.3m relates to the acquisition of Seal.

Borrowings and bank finance

At the year end, the Group had net borrowings of £16.4m (2007: £7.0m) comprising gross borrowings of £18.9m (2007: £9.9m) offset by cash balances of £2.5m (2007: £2.9m). Borrowings of £9.8m (\$15.0m) are held in US dollars and the strengthening of the US dollar relative to Sterling increased the Group's net debt by £2.4m compared with the prior year.

The Group put in place three year borrowing facilities with Barclays Bank plc in July 2008. At 30 November 2008 the Group had unutilised borrowing facilities of £1.3m (2007: £1.4m), an unutilised overdraft facility of £1.5m (2007: £3.0m) and cash balances of £2.5m (2007: £2.9m).

The Group's gearing (net debt as a percentage of shareholders' funds) increased to 40% (2007: 20%).

Finance and treasury policy

The treasury function at Porvair is managed centrally, under Board supervision. It is not a profit centre and does not undertake speculative transactions. It seeks to limit the Group's exposure to trading in currencies other than its operations' local currency and to hedge its investments in currencies other than Sterling. The Group does not hedge against the impact of exchange rate movements on the translation of profits and losses of overseas operations.

At the year end, the Group had \$15.0m (2007: \$14.8m) of US dollar borrowings exposure which hedged underlying US net tangible assets on the balance sheet of \$23.8m (2007: \$22.7m). In addition, the Group has a Euro 1.6m interest bearing debtor that was fully hedged by borrowings in Euros.

The Group finances its operations by a combination of share capital and retained profits; and short and long term loans. Borrowings throughout the year were principally at floating rate. Since the year end the Group has adopted a policy of fixing the interest rate on a portion of its borrowings.

Pension schemes

The Group continues to support its defined benefit pension scheme in the UK, which is closed to new members, and to provide access to a defined contribution scheme for its US employees and other UK employees.

The Group recorded a retirement benefit obligation of £3.7m (2007: £1.8m). The increase arose from an actuarial loss in the year of £2.2m and a current service cost of £0.3m offset by £0.5m of contributions and a £0.1m finance income credit.

During 2007, a valuation of the assets and liabilities of the closed defined benefit scheme was completed. As a result of this review, the Group and the Trustees agreed to alter the employer's contributions from 15% of salary to 8% of salary plus an £80,000 contribution towards the running costs of the scheme. The Group also committed to make additional annual contributions, to cover the past service deficit, of £250,000 per annum increasing by 5% per annum for the next eight years. The first payment was made in December 2007.

The next actuarial valuation of the scheme is due at 31 March 2009. It is possible that the outcome of that valuation could require an increase in the contributions to cover the past service deficit. Any such increase would take effect in the 2010 or 2011 financial year.

Risks and uncertainties

There are a number of risks and uncertainties, described below, which could have a material impact on the Group's long term performance and prospects.

Existing market risk

The Group serves the needs of a range of specialist filtration markets, such that it is not dependent upon any one market. No single market represents more than 24% of sales. However, three key markets: aviation; aluminium filtration; and water analysis each contribute more than 10% of the Group's revenue and the Group would be exposed to a significant decline in any of these segments.

The aerospace market has traditionally been a very steady business as the product cycles are very long and the Group offers a broad range of products, which are used both for new build and routine maintenance. The Board would expect to be able to manage the consequences of fluctuating aviation demand over time.

The production rates of aluminium can vary. Any impact on the Group is dependent upon whether changes to production affect filtered or non-filtered aluminium. The Group has developed a new filter formulation which has improved filtration and materials handling characteristics, which should improve its market position and is developing overseas markets for its aluminium cast shop business to enhance its offering.

Water analysis sales are generally made to laboratories engaged in meeting the regulatory requirements for clean water. As such, the market is expected to grow as water regulations tighten throughout the world and demand for clean water in the developing world increases. Whilst revenue might be affected by access to capital in customer markets (municipal/utility and industrial laboratories) it is expected that the regulated nature of this market will mitigate cyclical changes.

New products and markets risk

The Group has invested significant amounts into the development of new products. Some of these new products are in the early commercial or late development stages. There is a risk that these products may not be as commercially successful as expected.

The Group maintains a portfolio of potential products addressing different market segments and recognises that not all of its potential products will become significant revenue generators. The Group maintains a close review of each of its major developments and is not significantly exposed if the market for any one product does not develop.

Financing risk

The Group maintains a level of borrowing to finance its operations. Damage to, or loss of, its banking relationships could have a material impact on the Group. To mitigate this risk, the Group has sufficient long-term facilities in place for its expected requirements. It maintains a close relationship with its bankers and carefully monitors the restrictions on its borrowings.

Treasury and exchange rate risk

The Group has operations in the UK, US and Germany and sells its products throughout the world. As a result, the Group is exposed to fluctuations in exchange rates. The Group maintains certain of its borrowings in US dollars to hedge its investments in the US and enters into forward sales of its principal foreign currency revenues to reduce the impact of exchange rate movements.

Liability risk

The Group manufactures products that are potentially vital to the safe operation of its customers' products or processes. A failure of the Group's products could expose the Group to loss as a result of claims made by the Group's customers or users of their products. The Group seeks to minimise this risk through limitations of liability in its contracts and carries insurance cover in the event that claims are made.

Competitive risk

Porvair operates in competitive global markets. The Group's achievement of its objectives is reliant on its ability to respond to many competitive factors including, but not limited to, pricing, technological innovations, product quality, customer service, manufacturing capabilities and the employment of qualified personnel. If the Group does not continue to compete in its markets effectively by developing innovative solutions for its customers, it could lose them and its results could be adversely affected.

Technological risk

Porvair has a broad portfolio of products delivered to a diverse range of markets. The Group's business could be affected if it does not:

- continue to develop new designs for its customers that provide technical or cost advantages over its competitors; and
- develop new technologies and materials that are adopted by its customers to provide improved performance.

The Group recognises that certain of its competitors are larger and have greater financial resources. This may enable them to deliver products on more attractive terms than the Group or to invest more resources, including research and development, than the Group.

The Group carefully selects its development prospects and monitors their progress carefully to maintain a range of potential opportunities. The nature of the Group's development projects means that their potential commercial or technical success cannot be assessed with certainty throughout the development process. The ultimate commercial success of a project can often only be judged when the development cycle is close to completion.

Raw materials, resources and facilities risk

The Group uses raw materials in its production processes. Prices for these raw materials can be volatile and are affected by the cyclical movement in commodity prices such as oil, gas, alumina, silicon carbide and steel. The Group's ability to pass on these price fluctuations to its customers is to some extent dependent on the contracts it has entered into and the prevailing market conditions. There may be times when the Group's results are adversely affected by an inability to recover increases in raw material prices.

The Group operates from a number of production facilities, the largest facility generating approximately one third of the Group's revenue. A disaster, such as a fire or flood, at any of the Group's facilities could have a material impact on the Group's performance. The Group maintains insurance of its equipment and

facilities and carries business interruption insurance to cover loss of profits. In addition, the Group has ISO 9001 and other industry specific quality control systems which reduce the risk that a disaster will occur.

Christopher Tyler
Group Finance Director
26 January 2009

**Consolidated income statement
For the year ended 30 November**

	Note	2008 £'000	2007 £'000
Continuing operations			
Revenue	1	54,839	45,517
Cost of sales		(37,172)	(31,320)
Gross profit		17,667	14,197
Distribution costs		(705)	(679)
Administrative expenses		(12,146)	(9,683)
Operating profit	1	4,816	3,835
Interest payable and similar charges		(879)	(722)
Interest receivable		221	258
Profit before income tax		4,158	3,371
Income tax expense		(1,261)	(930)
Overseas tax		(27)	(65)
Profit for the year attributable to shareholders		2,870	2,376
Earnings per share (basic)	2	7.0p	5.8p
Earnings per share (diluted)	2	7.0p	5.8p

**Consolidated statement of recognised income and expense
For the year ended 30 November**

	2008 £'000	2007 £'000
Exchange differences on translation of foreign subsidiaries	5,119	(528)
Actuarial (losses)/gains on defined benefit pension scheme	(2,200)	2,400
Taxation credit/(charge) on items taken directly to equity	493	(756)
Net income recognised directly in equity	3,412	1,116
Profit for the year	2,870	2,376
Total recognised income for the year attributable to shareholders	6,282	3,492

**Consolidated balance sheet
As at 30 November**

		2008	2007
		£'000	£'000
Non-current assets			
Property, plant and equipment	4	9,870	6,722
Goodwill and other intangible assets	4	38,604	27,138
Deferred tax asset		751	753
Other receivable		1,261	1,056
		50,486	35,669
Current assets			
Inventories		9,970	6,888
Trade and other receivables		11,078	7,888
Derivative financial instruments		-	44
Cash and cash equivalents		2,501	2,893
		23,549	17,713
Current liabilities			
Trade and other payables		(9,201)	(6,937)
Current tax liabilities		(372)	(224)
Bank overdraft and loans		(582)	(500)
Finance lease liabilities		(164)	-
Derivative financial instruments		(283)	-
Provisions for other liabilities and charges		-	(78)
		(10,602)	(7,739)
Net current assets		12,947	9,974
Non-current liabilities			
Bank loans		(18,316)	(9,364)
Finance lease liabilities		(169)	-
Retirement benefit obligations		(3,704)	(1,804)
Provisions for other liabilities and charges	5	(60)	(55)
		(22,249)	(11,223)
Net assets		41,184	34,420
Capital and reserves			
Share capital	6	841	814
Share premium account	6	34,024	32,765
Cumulative translation reserve	7	1,295	(3,824)
Retained earnings	7	5,024	4,665
Total shareholders' equity		41,184	34,420

**Consolidated cash flow statement
For the year ended 30 November**

	Note	2008 £'000	2007 £'000
Cash flows from operating activities			
Cash generated from operations	8	4,237	5,711
Interest received		91	130
Interest paid		(823)	(780)
Tax paid		(599)	(608)
Net cash generated from operating activities		2,906	4,453
Cash flows from investing activities			
Acquisition of subsidiaries (net of cash acquired)		(5,121)	(1,046)
Purchase of property, plant and equipment		(2,628)	(1,688)
Purchase of intangible assets		(828)	(284)
Proceeds from sale of property, plant and equipment		7	295
Proceeds from sale of available for sale investments		-	200
Net cash used in investing activities		(8,570)	(2,523)
Cash flow from financing activities			
Net proceeds from issue of ordinary share capital		-	153
Increase/(repayment) of borrowings		6,008	(68)
Dividends paid to shareholders		(909)	(853)
Capital element of finance leases		(88)	-
Net cash generated from/(used in) financing activities		5,011	(768)
Net (decrease)/increase in cash and cash equivalents		(653)	1,162
Effects of exchange rate changes		261	(25)
Cash and cash equivalents at 1 December		(392)	1,137
Cash and cash equivalents at 30 November		2,893	1,756

Reconciliation of net cash flow to movement in net debt

	2008 £'000	2007 £'000
Net (decrease)/increase in cash and cash equivalents	(653)	1,162
Effects of exchange rate changes	(2,405)	238
(Increase)/repayment of borrowings	(6,368)	68
Net debt at 1 December	(6,971)	(8,439)
Net debt at 30 November	(16,397)	(6,971)

Notes

1. Segmental analyses

The segmental analyses of revenue, operating profit/(loss) and net assets and geographical analyses of revenue are set out below:

Primary reporting format – business segments

2008	Metals Filtration £'000	Microfiltration £'000	Other Unallocated £'000	Group £'000
Revenue	22,498	32,341	-	54,839
Operating profit/(loss) before share based payments	1,061	5,101	(1,241)	4,921
Share based payments	-	(33)	(72)	(105)
Operating profit/(loss)	1,061	5,068	(1,313)	4,816
Finance costs	-	-	(658)	(658)
Profit/(loss) before income tax	1,061	5,068	(1,971)	4,158
Income tax expense	-	-	(1,288)	(1,288)
Profit/(loss) for the year	1,061	5,068	(3,259)	2,870
2007	Metals Filtration £'000	Microfiltration £'000	Other Unallocated £'000	Group £'000
Revenue	19,330	26,187	-	45,517
Operating profit/(loss) before share based payments	308	4,414	(783)	3,939
Share based payments	2	(31)	(75)	(104)
Operating profit/(loss)	310	4,383	(858)	3,835
Finance costs	-	-	(464)	(464)
Profit/(loss) before income tax	310	4,383	(1,322)	3,371
Income tax expense	-	-	(995)	(995)
Profit/(loss) for the year	310	4,383	(2,317)	2,376

The “Other Unallocated” segment mainly comprises Group corporate costs, some research and development costs, new business development costs and general financial services.

In 2007, the Metals Filtration segment’s operating profit for the year included a restructuring charge of £0.2m and the Other Unallocated segment’s operating loss in 2007 included provisions written back of £0.4m related to reduced expenses arising on the businesses disposed of in 2003 and to the elimination of an onerous lease cost arising on a building that was refurbished and sublet in 2006 and disposed of in January 2008.

1. Segmental analyses continued

Net assets

At 30 November 2008

	Metals Filtration £'000	Microfiltration £'000	Other Unallocated £'000	Group £'000
Segmental assets	29,737	39,781	755	70,273
Long term receivable	-	-	1,261	1,261
Cash and cash equivalents	-	-	2,501	2,501
Total assets	29,737	39,781	4,517	74,035
Segmental liabilities	(3,248)	(5,812)	(1,189)	(10,249)
Retirement obligations	-	-	(3,704)	(3,704)
Borrowings	-	-	(18,898)	(18,898)
Total liabilities	(3,248)	(5,812)	(23,791)	(32,851)

At 30 November 2007

	Metals Filtration £'000	Microfiltration £'000	Other Unallocated £'000	Group £'000
Segmental assets	20,859	28,151	423	49,433
Long term receivable	-	-	1,056	1,056
Cash and cash equivalents	-	-	2,893	2,893
Total assets	20,859	28,151	4,372	53,382
Segmental liabilities	(1,847)	(4,587)	(860)	(7,294)
Retirement obligations	-	-	(1,804)	(1,804)
Borrowings	-	-	(9,864)	(9,864)
Total liabilities	(1,847)	(4,587)	(12,528)	(18,962)

Secondary reporting format – geographical segments

	2008		2007	
	By destination £'000	By origin £'000	By destination £'000	By origin £'000
Revenue				
United Kingdom	14,834	28,302	14,657	25,166
Continental Europe	9,071	1,799	6,208	-
Americas	26,166	24,738	21,074	20,351
Asia	3,765	-	2,659	-
Australasia	490	-	457	-
Africa	513	-	462	-
	54,839	54,839	45,517	45,517

2. Earnings per share

	2008			2007		
	Earnings	Weighted average number of shares	Per share amount (pence)	Earnings	Weighted average number of shares	Per share amount (pence)
	£'000			£'000		
Basic EPS – earnings attributable to ordinary shareholders	2,870	41,041,288	7.0p	2,376	40,615,967	5.8p
Effect of dilutive securities – share options	-	17,817	-	-	125,036	-
Diluted EPS – adjusted earnings	2,870	41,059,105	7.0p	2,376	40,741,003	5.8p

3. Dividends per share

	2008		2007	
	Per share	£'000	Per share	£'000
Final dividend paid	1.20p	488	1.10p	446
Interim dividend paid	1.00p	421	1.00p	407
	2.20p	909	2.10p	853

The Directors recommend the payment of a final dividend of 1.25 pence per share on 12 June 2009 to shareholders on the register on 1 May 2009; the ex-dividend date is 29 April 2009. This makes a total dividend for the year of 2.25 pence per share (2007: 2.20 pence per share).

4. Fixed assets

2008	Property, plant and equipment	Goodwill	Other intangible assets	Total
	£'000	£'000	£'000	£'000
Opening net book amount 1 December 2007	6,722	26,512	626	33,860
Additions	2,628	-	828	3,456
Acquisitions (note 9)	553	5,673	519	6,745
Disposals	(8)	-	-	(8)
Depreciation, amortisation and impairment	(1,344)	-	(279)	(1,623)
Exchange differences	1,319	4,416	309	6,044
Closing net book amount 30 November 2008	9,870	36,601	2,003	48,474
2007	Property, plant and equipment	Goodwill	Other intangible assets	Total
	£'000	£'000	£'000	£'000
Opening net book amount 1 December 2006	6,596	26,243	475	33,314
Additions	1,688	-	284	1,972
Acquisitions	62	749	-	811
Disposals	(254)	-	-	(254)
Depreciation, amortisation and impairment	(1,229)	-	(116)	(1,345)
Exchange differences	(141)	(480)	(17)	(638)
Closing net book amount 30 November 2007	6,722	26,512	626	33,860

5. Provisions for other liabilities and charges

	2008 £'000	2007 £'000
At 1 December	133	517
Charged to consolidated income statement:		
Used during year	(78)	-
Additional provisions	-	55
Unused amounts reversed	-	(439)
Unwinding of discount	5	-
At 30 November	60	133

The £78,000 utilised in 2008 relates to a building sublet in 2006 and surrendered in January 2008. The provision at 30 November 2008 relates to a discounted dilapidations provision for leased property which is expected to be utilised in 2027. Details in relation to the reversal of provisions in 2007 are shown in Note 1.

6. Share capital and premium

	Number of shares	Ordinary shares	Share premium account	Total
	thousands	£'000	£'000	£'000
At 1 December 2006	40,575	811	32,615	33,426
Proceeds from the exercise of shares under share option schemes	124	3	150	153
At 30 November 2007	40,699	814	32,765	33,579
Issue of shares as consideration for the Seal Analytical acquisition	1,375	27	1,259	1,286
At 30 November 2008	42,074	841	34,024	34,865

7. Other reserves

	Cumulative translation reserve £'000	Retained earnings £'000
At 1 December 2006	(3,296)	1,394
Profit for the period attributable to shareholders	-	2,376
Direct to equity:		
Dividends paid	-	(853)
Actuarial gains net of tax	-	1,680
Share based payments net of tax	-	68
Exchange differences	(528)	-
At 30 November 2007	(3,824)	4,665
Profit for the period attributable to shareholders	-	2,870
Direct to equity:		
Dividends paid	-	(909)
Actuarial losses net of tax	-	(1,652)
Share based payments net of tax	-	50
Exchange differences	5,119	-
At 30 November 2008	1,295	5,024

8. Cash generated from operations

	2008	2007
	£'000	£'000
Operating profit	4,816	3,835
Non cash pension charge	100	100
Share based payments	105	104
Depreciation and amortisation	1,623	1,345
Loss/(profit) on disposal of property, plant and equipment	1	(41)
Operating cash flows before movement in working capital	6,645	5,343
Increase in inventories	(1,176)	(322)
Decrease in trade and other receivables	289	102
(Decrease)/increase/in payables	(1,443)	972
Decrease in provisions	(78)	(384)
(Increase)/decrease in working capital	(2,408)	368
Cash generated from operating activities	4,237	5,711

9. Acquisitions

Toolturn Engineering Limited

On 28 March 2008, The Group purchased 100% of the issued share capital of CM7 Limited and its wholly owned subsidiary Toolturn Engineering Limited for a total consideration of £990,000. The acquired business primarily sells to businesses within the Microfiltration segment and these transactions are eliminated on consolidation. The company contributed external revenues of £232,000 and had a minimal impact on the Group's profits for the period 29 March 2008 to 30 November 2008. If the acquisition had occurred on 1 December 2007, the company would have contributed external revenues of £332,000 and had a minimal impact on the Group's profits in the year ended 30 November 2008.

	Note	£'000
Purchase consideration:		
Cash paid		653
Deferred consideration		300
Direct costs relating to the acquisition		37
Total purchase consideration		990
Fair value of net assets acquired		(396)
Goodwill	4	594

The Goodwill is attributable to the workforce of the acquired business and synergies expected to arise after acquisition within the Microfiltration segment.

The total adjustments required to the book values of the assets and liabilities acquired in order to present the net assets at fair value in accordance with Group accounting policy were £4,000. The purchase has been accounted for as an acquisition.

The assets and liabilities as at 28 March 2008 arising from the acquisition are as follows:

	Fair value	Acquiree's carrying amount
	£'000	£'000
Property, plant and equipment	444	444
Inventories	72	81
Trade and other receivables	373	365
Cash and cash equivalents	(106)	(106)
Trade and other payables	(195)	(191)
Deferred tax liabilities	(54)	(54)
Finance leases	(138)	(139)
Net assets acquired	396	400
Purchase consideration settled in cash	690	
Cash and cash equivalents in assets acquired	106	
Cash outflow on acquisition	796	

The deferred consideration is represented by interest bearing loan notes issued totalling £300,000. The loan notes are repayable annually in equal instalments over a 3 year period.

Seal Analytical Limited

On 9 July 2008, the Group purchased 100% of the issued share capital of Seal Analytical Limited ('Seal'). The total consideration was £3,934,000. On acquisition, external loans included in the net liabilities acquired of £2,056,000 were repaid. Seal contributed revenues of £3,198,000 and a net profit of £130,000 to the Group in the period 9 July 2008 to 30 November 2008. If the acquisition had occurred on 1 December 2007, Seal would have contributed revenues of £7,957,000 and a net profit of £293,000 to the Group in the year ended 30 November 2008.

	Note	£'000
Purchase consideration:		
Cash paid		2,274
Shares issued		1,286
Direct costs relating to the acquisition		374
Total purchase consideration		<u>3,934</u>
Fair value of net liabilities acquired		<u>1,145</u>
Goodwill	4	<u>5,079</u>

The fair value of the shares issued was based on the average published mid market price of the Porvair share price in the five business days prior to the acquisition.

The Goodwill is attributable to the workforce of the acquired business and synergies and potential for development expected to arise after acquisition within the Microfiltration segment.

The total adjustments required to the book values of the assets and liabilities acquired in order to present the net assets at fair value in accordance with Group accounting policy were £495,000. The purchase has been accounted for as an acquisition.

The assets and liabilities as at 9 July 2008 arising from the acquisition are as follows:

	Fair value	Acquiree's carrying amount
	£'000	£'000
Property, plant and equipment	109	109
Software	487	348
Trademarks (included in intangibles)	32	-
Inventories	943	909
Trade and other receivables	1,767	1,482
Cash and cash equivalents	379	379
Trade and other payables	(2,536)	(2,541)
Borrowings	(2,116)	(2,116)
Finance leases	(272)	(272)
Corporation tax debtor	62	62
Net liabilities acquired	<u>(1,145)</u>	<u>(1,640)</u>
Purchase consideration settled in cash	2,648	
Cash and cash equivalents in assets acquired	(379)	
Repayment of acquired borrowings	2,056	
Cash outflow on acquisition	<u>4,325</u>	

In 2007, the Group acquired the trade and assets of Omnifilter. The acquisition is disclosed in the annual financial statements for the year ended 30 November 2007.

10. Basis of preparation

The preliminary announcement for the year ended 30 November 2008 has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union as at 30 November 2008. The financial information contained in this preliminary announcement does not constitute statutory accounts as defined in Section 240 of the Companies Act 1985. The financial information has been extracted from the financial statements

for the year ended 30 November 2008, which have been approved by the Board of Directors and on which the auditors have reported without qualification. The financial statements will be delivered to the Registrar of Companies after the Annual General Meeting. The financial statements for the year ended 30 November 2007, upon which the auditors reported without qualification, have been delivered to the Registrar of Companies.

11. Annual general meeting

The Company's Annual General Meeting will be held on Tuesday 7 April 2009 at 7 Regis Place, Bergen Way, King's Lynn, PE30 2JN.