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Porvair plc
Half yearly results for the six months ended 31 May 2015

Porvair plc ("Porvair" or "the Group"), the specialist filtration and environmental technology group, today announces its half yearly results for the six months ended 31 May 2015.

Highlights

- Encouraging financial performance:
  - As expected, revenue was lower at £46.3m (2014: £51.0m) due to the impact of large projects in the prior period.
  - Lower revenue from large projects offset by 8% underlying growth[1].
  - Profit before tax up by 10% to £4.2m (2014: £3.8m).
  - Earnings per share up 15% to 6.9 pence (2014: 6.0 pence).
  - Net cash increased to £6.2m (31 May 2014: net debt of £1.0m; 30 November 2014: net cash of £5.3m).
- Microfiltration:
  - Underlying revenues up 9%.
  - Large contracts running smoothly including first contribution from CNOOC contract.
  - Strong growth in the US – revenue up 44%.
  - New facilities in UK and USA opened on schedule and budget.
  - Order book healthy.
- Metals Filtration:
  - Revenues up 6% (2% lower in constant currency) compared with a strong 2014.
  - Superior performance of patented products continues to support growth.
  - Acquisition in June of Fiber Ceramics will improve product capabilities and add capacity.
  - New facility in China expected to be operational in the third quarter.
- Interim dividend increased over 8% to 1.3 pence (2014: 1.2 pence).

Commenting on the outlook, Ben Stocks, Chief Executive, said:
"Overall market demand is encouraging and order books continue to be healthy. We are winning market share with new products, notably in Metals Filtration and Seal Analytical. The Group has a strong balance sheet, a promising project pipeline and has made a good start to 2015."

Note 1. Underlying growth: Revenue growth excluding the impact of large projects.

For further information please contact:

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A copy of the presentation that accompanies these results is available at www.porvair.com

Operating Review

Overview

Profit before tax for the six months ended 31 May 2015 was up 10% to £4.2m (2014: £3.8m). Earnings per share grew 15% to 6.9p (2014: 6.0p). Cash generation was strong again with the Group holding a net cash balance of £6.2m (31 May 2014: net debt of £1.0m) at the end of the period, £7.2m higher than the previous year.

As anticipated in previous statements, revenue at £46.3m (2014: £51.0m) was £4.7m lower than the prior year due to revenue from large projects being £8.1m lower than in the first half of 2014. Underlying growth was 8% reflecting encouraging progress against financial and strategic targets.

The second half of 2015 has started well and order books are healthy, notably in Seal Analytical which is having a good year.

Progress towards key operating objectives in the period include:

- Large projects running to plan;
- Expanded facilities attracting new customers;
- New products introduced in both Seal Analytical and Selee Corp; and
- A promising pipeline of future work.

Strategic statement

Porvair's strategy has remained consistent for a number of years. It is to generate shareholder value through the development of specialist filtration and environmental technology businesses, both organically and by acquisition. Such businesses have certain key characteristics in common:

- specialist design or engineering skills are required;
- product use and replacement is mandated by regulation, quality accreditation or a maintenance cycle; and
- products are often designed into a specification and will typically have long life cycles.

Over the last five years to 31 May 2015 this strategy delivered 11% compound annual revenue growth and cash generated from operations of £53 million. Over the same period, the Group has invested £19 million in capital expenditure and acquisitions and turned a net debt of £14 million into a net cash position of over £6 million.

Business model outline

Our customers require filtration or emission control products that perform to a given specification; for a minimum amount of time; often with prescribed physical attributes such as size or weight. We win business by offering the best technical solutions for these requirements at an acceptable commercial cost. Filtration expertise is applicable across all markets with new products generally being adaptations of existing designs. Experience in particular markets or applications is valuable in building customer confidence. Domain knowledge is important, as is deciding where to focus resources.

This leads us to:

1. Focus on end-markets where we see long term growth potential.
2. Look for applications where product use is mandated and replacement demand is therefore regular.
3. Make new product development a core business activity.
4. Establish geographic presence where end-markets require.
5. Maintain a conservative balance sheet while re-investing in both organic and acquired growth.

Therefore:

- We focus on four end-markets: aviation; energy and industrial; environmental laboratories; and molten metals. All have clear structural growth drivers.
- Our products are specialist in nature and typically protect costly or complex downstream systems. As a result they are replaced regularly. A high proportion of our annual revenue is from repeat orders.
- We encourage new product development in order to generate growth rates in excess of the underlying market. Where possible we build robust intellectual property around our product developments. About 30% of our revenues are derived from patent protected products.
- Our geographic presence follows the markets we serve. Aviation and metals filtration revenues are strong in the Americas. In Asia, water analysis markets are growing and the demand for gasification plants is strongest.
- We aim to maintain a conservative balance sheet, meeting dividend and investment needs from free cash flow. Porvair is a cash generative business. In the last three years we have expanded manufacturing capacity in the UK, Germany, US and China and made five small acquisitions.

Operating structure

- The Group has two divisions. The Microfiltration division serves the aviation, environmental laboratory, and energy/industrial markets. The Metals Filtration division focuses on filtration of molten metals, principally aluminium.
- The Group manufactures in the UK, US, Germany and China.

Plans for investment and future development

As noted in January 2015, the Group is actively investing in capacity expansion and new product development:

- The new UK site at New Milton was formally opened in March. Old facilities have now been sold or handed back. In addition to generally upgraded facilities, the new plant offers growth capacity for industrial filters.
- The new building at Caribou, US is open. Further investment on this site is planned for the second half of 2015, notably in clean manufacturing capabilities.
- The Group is considering plans to expand its US industrial filtration facility in Virginia.
- Seal Analytical consolidated its US operations by expanding its facility in Wisconsin.
- The Metals filtration division expansion in China is proceeding on time and to budget.
- Gasification projects remain on plan. During the period, commissioning work started in the first of these in Gwangyang, South Korea. The next stage, running the plant up to operating conditions, is expected to start in the second half of 2015. Almost all systems have been shipped to Reliance for assembly on site and the first revenue has been recognised on the CNOOC project.
- New product development projects remain central to Porvair's day to day activities. A new formulation for the filtration of aluminium is testing well and patent protection is pending. Two further customers qualified the new aluminium lithium filter. Bioscience filtration projects continue to show promise.

Metals Filtration

	2015 £m	2014 £m	Growth %
Revenue	15.7	14.8	6
Operating profit	1.2	1.2	3

Revenue was up 6% to £15.7m (2014: £14.8m). The division is having a good year despite the strong dollar making export sales more challenging. Moreover, the prior year included a large equipment sale to a Chinese customer that, as noted at the time, will not repeat in 2015.

Despite these issues, Metals Filtration continues to build market share with its suite of patented products, and as a result revenue in constant currency is only 2% lower than in a record 2014. In two side-by-side competitive product performance tests in an aluminium customer's facilities this year, our product performance was compelling and supports the value-added sales approach that we prefer. Our rivals compete on price not performance and while this is occasionally painful, we feel it positions the business well for the longer term.

In the niche areas of metals filtration we continue to do well with unusual formulations and technical expertise. Our carbon foam products are selling steadily, as are our structured products, which are slowly developing into a higher margin line of work.

The acquisition of the trade and assets of Fiber Ceramics in June is expected to add annual revenue of around $1m to the division. More importantly, its range of products improves both the technical capability of the business in steel filtration and the production capacity for high temperature products.

Building of our second factory in China finished early in the year and manufacturing equipment is starting to be assembled. We expect to start production during the third quarter and have a new formulation with which to launch in Asia.

Microfiltration

	2015 £m	2014 £m	Growth %
Revenue	30.6	36.3	(16)
Operating profit	4.3	4.0	8

Revenue was £30.6m, (2014: £36.3m) with large projects contributing £8.1m less than the prior year. Underlying growth was therefore 9%, close to our five year average. A first set of patented longer life gasification spares has been shipped; coolant filtration units for the Boeing 787-9 and 787-10 are in manufacture; and new filters for both aero inerting and bioscience are in development. In the US, revenue growth has continued strongly in most markets, with our plant in Caribou performing well.

Large projects continue to be a focus. The installation in Korea is now assembled with only minor modifications required. Final acceptance testing will start, as planned, later in the year. Most shipments to the installation in India have been made, and the new project in China is in the planning and early manufacturing stage. Discussions on local operational support for these installations are progressing. Further shipments for the £11 million UK Government nuclear remediation contract are planned for the second half of the year. The pipeline of future projects is promising.

Seal Analytical sales remained level against the prior year. Throughout the period Seal Analytical's order book was at record levels but a three month parts delay from a key supplier held revenue back. The situation is now resolved and the business had a strong May and June, with July also looking promising.

Tax

The Group tax charge was £1.1 million (2014: £1.1 million). This is an effective rate of 26% (2014: 30%), in line with the rate recorded for the full year ended 30 November 2014 and higher than the UK standard corporate tax rate because tax rates are higher on profits made in Germany and the US.

Earnings per share and dividends

The basic earnings per share for the period increased 15% to 6.9 pence (2014: 6.0 pence). The Board is declaring an increased interim dividend of 1.3 pence (2014: 1.2 pence) per share, an increase of over 8%.

Cash flow and net debt

Cash generated from operations in the six months to 31 May 2015 was £3.1m (2014: £2.7m). Working capital increased in the period by £2.8m (2014: £3.0m) principally as a result of strong revenue in May and a high inventory of gasification spares for delivery in June.

Interest paid was £0.1m (2014: £0.2m). Tax payments reduced to £0.6m (2014: £1.2m) following a repayment in relation to 2013.

Capital expenditure was £1.4m (2014: £2.9m), mainly spent on completing the expansion of facilities in US, UK and China. £0.5m (2014: £nil) was received on the disposal of a UK facility and £0.5m (2014: £nil) was paid in relation to acquisitions completed in 2013.

Closing net cash at 31 May 2015 was £6.2m (30 November 2014: net cash of £5.3m; 31 May 2014 net debt of £1.0m).

Return on capital employed

The Group's return on capital employed was 15% (2014:13%). Excluding the impact of goodwill and the pension liability the return on operating capital employed was 47% (2014: 40%).

Current trading and outlook

Overall market demand is encouraging and order books continue to be healthy. We are winning market share with new products, notably in Metals Filtration and Seal Analytical. The Group has a strong balance sheet, a promising project pipeline and has made a good start to 2015.

Ben Stocks
Group Chief Executive

Related parties
There were no related party transactions in the six months ended 31 May 2015 (2014: none).

Principal risks
Each division considers strategic, operational and financial risks and identifies actions to mitigate those risks. These risk profiles are reviewed by the Board and updated at least annually. The principal risks and uncertainties for the remaining six months of the financial year are discussed below. Further details of the Group's risk profile analysis can be found in the Strategic Report section of the Annual Report for the year ended 30 November 2014.

Certain elements of the Group's order position, although healthy at 31 May 2015, can change quickly in the face of changing economic circumstances. The Metals Filtration division and environmental laboratory supplies and general industrial filtration within the Microfiltration division all have relatively short lead times and order cycles and, therefore, revenues are subject to fluctuations, which could have a material effect on the Group's results for the balance of 2015.

The Microfiltration division serves several customers whose orders are large relative to Porvair's overall order book. Should any of these be cancelled or delayed it may affect the Group's results for the balance of 2015.

Forward looking statements
Certain statements in this half yearly financial information are forward-looking. Although the Group believes that the expectations reflected in these forward-looking statements are reasonable, it can give no assurance that these expectations will prove to have been correct. Because these statements involve risks and uncertainties, actual results may differ materially from those expressed or implied by these forward-looking statements.

We undertake no obligation to update any forward-looking statements whether as a result of new information, future events or otherwise.

Consolidated income statement
For the six months ended 31 May

	Note	Six months ended 31 May 2015 Unaudited £'000	2014 Unaudited £'000
Revenue	1	**46,261**	51,024
Cost of sales		**(30,560)**	(36,130)
Gross profit		**15,701**	14,894
Other operating expenses		**(11,218)**	(10,699)
Operating profit	1	**4,483**	4,195
Interest payable and similar charges		**(319)**	(413)
Profit before income tax		**4,164**	3,782
Income tax expense		**(1,062)**	(1,149)
Profit for the period attributable to shareholders		**3,102**	2,633
Earnings per share (basic)	2	**6.9p**	6.0p
Earnings per share (diluted)	2	**6.9p**	5.9p

Consolidated statement of comprehensive income
For the six months ended 31 May

	Six months ended 31 May 2015 Unaudited £'000	2014 Unaudited £'000
Profit for the period	**3,102**	2,633
Other comprehensive income:		
Items that may be subsequently reclassified to profit or loss		
Exchange differences on translation of foreign subsidiaries	**409**	(794)
Changes in fair value of interest rate swaps held as a cash flow hedge	**-**	20
Changes in the fair value of foreign exchange contracts held as a cash flow hedge	**(160)**	11
	249	(763)
Net other comprehensive income	**249**	(763)
Total comprehensive income for the period attributable to shareholders of Porvair plc	**3,351**	1,870

The accompanying notes are an integral part of this interim financial information.

Consolidated balance sheet
As at 31 May

	Note	As at 31 May 2015 Unaudited £'000	As at 31 May 2014 Unaudited £'000	As at 30 November 2014 Audited £'000
Non-current assets				
Property, plant and equipment	4	**12,539**	10,865	12,336
Goodwill and other intangible assets	4	**43,331**	41,766	43,209
Deferred tax asset		**2,900**	3,710	3,240
		58,770	56,341	58,785
Current assets				
Inventories		**13,060**	12,733	11,363
Trade and other receivables		**18,373**	18,570	17,067
Derivative financial instruments		**-**	985	66
Cash and cash equivalents	5	**8,218**	6,428	7,891
		39,651	38,716	36,387
Current liabilities				
Trade and other payables		**(25,919)**	(24,230)	(24,910)
Current tax liabilities		**(1,432)**	(1,103)	(919)
Bank overdraft and loans		**(244)**	(984)	(727)
Derivative financial instruments		**(151)**	-	(118)
		(27,746)	(26,317)	(26,674)
Net current assets		**11,905**	12,399	9,713
Non-current liabilities				
Bank loans		**(1,794)**	(6,440)	(1,900)
Deferred tax liability		**(1,173)**	(1,242)	(1,494)
Retirement benefit obligations		**(12,732)**	(11,787)	(12,833)
Other payables		**-**	(298)	-
Provisions for other liabilities and charges		**(144)**	(132)	(138)
		(15,843)	(19,899)	(16,365)
Net assets		**54,832**	48,841	52,133
Capital and reserves				
Share capital	6	**896**	883	887
Share premium account	6	**35,344**	35,155	35,334
Cumulative translation reserve	7	**1,225**	(1,103)	816
Retained earnings	7	**17,367**	13,906	15,096
Total equity		**54,832**	48,841	52,133

The interim financial information on pages 7 to 18 was approved by the Board of Directors on 26 June 2015 and was signed on its behalf by:

Ben Stocks
Group Chief Executive

Chris Tyler
Group Finance Director

The accompanying notes are an integral part of this interim financial information.

Consolidated cash flow statement
For the six months ended 31 May

	Note	Six months ended 31 May	
		2015	2014
		Unaudited	Unaudited
		£'000	£'000
Cash flows from operating activities			
Cash generated from operations	8	**3,055**	2,658
Interest paid		**(91)**	(207)
Tax paid		**(591)**	(1,195)
Net cash generated from operating activities		**2,373**	1,256
Cash flows from investing activities			
Acquisition of subsidiaries (net of cash acquired)		**(490)**	-
Purchase of property, plant and equipment	4	**(1,385)**	(2,866)
Purchase of intangible assets	4	**(6)**	(12)
Proceeds from sale of property, plant and equipment		**475**	9
Net cash used in investing activities		**(1,406)**	(2,869)
Cash flows from financing activities			
Net proceeds from the issue of ordinary shares	6	**19**	16
(Repayment of)/increase in borrowings	9	**(637)**	1,333
Net cash (used in)/generated from financing activities		**(618)**	1,349
Net increase/(decrease) in cash and cash equivalents	9	**349**	(264)
Effects of exchange rate changes		**(22)**	(81)
		327	(345)
Cash and cash equivalents at the beginning of the period		**7,891**	6,773
Cash and cash equivalents at the end of the period	5	**8,218**	6,428

The accompanying notes are an integral part of this interim financial information.

Consolidated statement of changes in equity
For the six months ended 31 May (Unaudited)

	Share capital £'000	Share premium account £'000	Cumulative translation reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 December 2013	875	35,147	(309)	11,967	47,680
Profit for the period	-	-	-	2,633	2,633
Other comprehensive income for the period:					
Exchange differences on translation of foreign subsidiaries	-	-	(794)	-	(794)
Changes in fair value of interest rate swaps held as a cash flow hedge	-	-	-	20	20
Changes in the fair value of foreign exchange contracts held as a cash flow hedge	-	-	-	11	11
Total comprehensive income for the period	-	-	(794)	2,664	1,870
Transactions with owners:					
Proceeds from shares issued, net of costs	8	8	-	-	16
Employee share option schemes:					
Value of employee services net of tax	-	-	-	70	70
Dividends approved as final or paid	-	-	-	(795)	(795)
Balance at 31 May 2014	883	35,155	(1,103)	13,906	48,841
Balance at 1 December 2014	887	35,334	816	15,096	**52,133**
Profit for the period	-	-	-	3,102	**3,102**
Other comprehensive income for the period:					
Exchange differences on translation of foreign subsidiaries	-	-	409	-	**409**
Changes in the fair value of foreign exchange contracts held as a cash flow hedge	-	-	-	(160)	**(160)**
Total comprehensive income for the period	-	-	409	2,942	**3,351**
Transactions with owners:					
Proceeds from shares issued, net of costs	9	10	-	-	**19**
Employee share option schemes:					
Value of employee services net of tax	-	-	-	225	**225**
Dividends approved as final or paid	-	-	-	(896)	**(896)**
Balance at 31 May 2015	**896**	**35,344**	**1,225**	**17,367**	**54,832**

The accompanying notes are an integral part of this interim financial information.

Notes to the financial information

1. Segmental analyses

The chief operating decision maker has been identified as the Board of Directors. The Board of Directors review the Group's internal reporting in order to assess performance and allocate resources. Management have determined the operating segments based on this reporting.

As at 31 May 2015, the Group is organised on a worldwide basis into two operating segments:

1) Metals Filtration
2) Microfiltration

The segment results for the period ended 31 May 2015 are as follows:

Six months ended 31 May 2015 - Unaudited	**Metals Filtration**	**Microfiltration**	**Other unallocated**	**Group**
	£'000	**£'000**	**£'000**	**£'000**
Revenue	15,690	30,571	-	**46,261**
Operating profit/(loss)	1,206	4,294	(1,017)	**4,483**
Interest payable and similar charges	-	-	(319)	**(319)**
Profit/(loss) before income tax	1,206	4,294	(1,336)	**4,164**
Income tax expense	-	-	(1,062)	**(1,062)**
Profit/(loss) for the period	**1,206**	**4,294**	**(2,398)**	**3,102**

The segment results for the period ended 31 May 2014 are as follows:

Six months ended 31 May 2014 - Unaudited	Metals Filtration	Microfiltration	Other unallocated	Group
	£'000	£'000	£'000	£'000
Revenue	14,755	36,269	-	51,024
Operating profit/(loss)	1,166	3,963	(934)	4,195
Interest payable and similar charges	-	-	(413)	(413)
Profit/(loss) before income tax	1,166	3,963	(1,347)	3,782
Income tax expense	-	-	(1,149)	(1,149)
Profit/(loss) for the period	1,166	3,963	(2,496)	2,633

Other Group operations are included in "Other unallocated". These mainly comprise Group corporate costs, including new business development costs, some research and development costs, general financial costs, and income tax expense.

Segment assets and liabilities

At 31 May 2015 - Unaudited	**Metals Filtration**	**Microfiltration**	**Other unallocated**	**Group**
	£'000	£'000	£'000	**£'000**
Segmental assets	28,269	57,791	4,143	**90,203**
Cash and cash equivalents	-	-	8,218	**8,218**
Total assets	**28,269**	**57,791**	**12,361**	**98,421**
Segmental liabilities	(3,929)	(20,748)	(4,142)	**(28,819)**
Retirement benefit obligations	-	-	(12,732)	**(12,732)**
Borrowings	-	-	(2,038)	**(2,038)**
Total liabilities	**(3,929)**	**(20,748)**	**(18,912)**	**(43,589)**

At 31 May 2014 - Unaudited	Metals Filtration	Microfiltration	Other unallocated	Group
	£'000	£'000	£'000	£'000
Segmental assets	24,920	57,987	5,722	88,629
Cash and cash equivalents	-	-	6,428	6,428
Total assets	24,920	57,987	12,150	95,057
Segmental liabilities	(3,832)	(18,561)	(4,612)	(27,005)
Retirement benefit obligations	-	-	(11,787)	(11,787)
Borrowings	-	-	(7,424)	(7,424)
Total liabilities	(3,832)	(18,561)	(23,823)	(46,216)

At 30 November 2014 - Audited	Metals Filtration	Microfiltration	Other unallocated	Group
	£'000	£'000	£'000	£'000
Segmental assets	27,119	55,481	4,681	87,281
Cash and cash equivalents	-	-	7,891	7,891
Total assets	27,119	55,481	12,572	95,172
Segmental liabilities	(3,249)	(20,379)	(3,951)	(27,579)
Retirement benefit obligations	-	-	(12,833)	(12,833)
Borrowings	-	-	(2,627)	(2,627)
Total liabilities	(3,249)	(20,379)	(19,411)	(43,039)

Geographical analysis
Revenue

	Six months ended 31 May			
	2015		2014	
	Unaudited		Unaudited	
	By destination	**By origin**	By destination	By origin
	£'000	**£'000**	£'000	£'000
United Kingdom	**6,407**	**17,985**	8,515	25,639
Continental Europe	**6,367**	**3,819**	6,339	4,014
United States of America	**18,602**	**23,782**	15,845	20,631
Other NAFTA	**3,514**	**-**	3,232	-
South America	**817**	**-**	834	-
Asia	**10,006**	**675**	15,579	740
Africa	**548**	**-**	680	-
	46,261	**46,261**	51,024	51,024

2. Earnings per share

	Six months ended 31 May					
	2015			2014		
	Unaudited			Unaudited		
	Earnings	**Weighted average number of**	**Per share amount**	Earnings	Weighted average number of	Per share amount
	£'000	**shares**	**Pence**	£'000	shares	Pence
Basic EPS – Earnings attributable to ordinary shareholders	**3,102**	**44,659,379**	**6.9**	2,633	44,017,345	6.0
Effect of dilutive securities – share options	**-**	**146,675**	**-**	-	283,053	(0.1)
Diluted EPS	**3,102**	**44,806,054**	**6.9**	2,633	44,300,398	5.9

3. Dividends per share

	Six months ended 31 May			
	2015		2014	
	Unaudited		Unaudited	
	Per share	**£'000**	Per share	£'000
Final dividend approved	**2.00p**	**896**	1.80p	795

The final dividend approved was paid to shareholders on 6 June 2015.

The Directors have declared an interim dividend of 1.3 pence (2014: 1.2 pence) per share to be paid on 4 September 2015 to shareholders on the register at the close of business on 31 July 2015. The ex-dividend date for the shares is 30 July 2015.

4. Property, plant and equipment and goodwill and other intangible assets

Six months ended 31 May 2015 - Unaudited	Property, plant and equipment	Goodwill and other intangible assets	**Total**
	£'000	£'000	**£'000**
Opening net book amount at 1 December 2014	12,336	43,209	**55,545**
Additions	1,385	6	**1,391**
Disposals	(397)	-	**(397)**
Depreciation and amortisation	(912)	(182)	**(1,094)**
Exchange movements	127	298	**425**
Closing net book amount at 31 May 2015	**12,539**	**43,331**	**55,870**

Six months ended 31 May 2014 - Unaudited	Property, plant and equipment	Goodwill and other intangible assets	Total
	£'000	£'000	£'000
Opening net book amount at 1 December 2013	9,006	42,535	51,541
Additions	2,866	12	2,878
Disposals	(18)	-	(18)
Depreciation and amortisation	(849)	(177)	(1,026)
Exchange movements	(140)	(604)	(744)
Closing net book amount at 31 May 2014	10,865	41,766	52,631

5. Cash and cash equivalents

	As at 31 May		As at 30 November
	2015	2014	2014
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
Cash at bank and in hand	**8,218**	6,428	7,891
Cash and cash equivalents	**8,218**	6,428	7,891

6. Share capital and premium

	Number of shares (thousands)	**Ordinary shares Unaudited**	**Share premium account Unaudited**	**Total Unaudited**
		£'000	**£'000**	**£'000**
At 1 December 2013	43,734	875	35,147	36,022
Employee share options schemes:				
Exercise of options under share option schemes	433	8	8	16
At 31 May 2014	**44,167**	**883**	**35,155**	**36,038**
At 1 December 2014	44,363	887	35,334	36,221
Employee share options schemes:				
Exercise of options under share option schemes	450	9	10	19
At 31 May 2015	**44,813**	**896**	**35,344**	**36,240**

The authorised number of ordinary shares is 75 million (2014: 75 million) shares with a par value of 2.0 pence (2014: 2.0 pence) per share. All issued shares are fully paid. 450,221 (2014: 433,345) ordinary shares of 2p each were issued in the period on the exercise of employee share options for a cash consideration of £19,000 (2014: £16,000).

7. Other reserves

	Cumulative translation reserve Unaudited	Retained earnings Unaudited
	£'000	£'000
At 1 December 2013	(309)	11,967
Profit for the period attributable to shareholders	-	2,633
Direct to equity:		
Final dividends approved	-	(795)
Share based payments	-	238
Tax on share based payments	-	(168)
Interest rate swap cash flow hedge	-	20
Foreign exchange contract cash flow hedge	-	11
Exchange differences	(794)	-
At 31 May 2014	(1,103)	13,906
At 1 December 2014	**816**	**15,096**
Profit for the period attributable to shareholders	**-**	**3,102**
Direct to equity:		
Final dividends approved	**-**	**(896)**
Share based payments	**-**	**238**
Tax on share based payments	**-**	**(13)**
Foreign exchange contract cash flow hedge	**-**	**(160)**
Exchange differences	**409**	**-**
At 31 May 2015	**1,225**	**17,367**

8. Cash generated from operations

	Six months ended 31 May	
	2015 Unaudited £000	2014 Unaudited £000
Operating profit	**4,483**	4,195
Non-cash pension charge	**166**	120
Share based payments	**238**	238
Depreciation and amortisation	**1,094**	1,026
(Profit)/loss on disposal of property, plant and equipment	**(78)**	9
Operating cash flows before movement in working capital	**5,903**	5,588
Increase in inventories	**(1,694)**	(1,273)
Increase in trade and other receivables	**(1,338)**	(4,558)
Increase in payables	**184**	2,901
Increase in working capital	**(2,848)**	(2,930)
Cash generated from operations	**3,055**	2,658

9. Reconciliation of net cash flow to movement in net debt

	Six months ended 31 May	
	2015	2014
	Unaudited	Unaudited
	£'000	£'000
Net increase/(decrease) in cash and cash equivalents	**349**	(264)
Effects of exchange rate changes	**(70)**	22
Repayment of / (increase in) borrowings	**637**	(1,333)
Net cash at the beginning of the period	**5,264**	579
Net cash/(debt) at the end of the period	**6,180**	(996)

10. Financial risk management and financial instruments

The Group's finance department includes a team that performs the valuations of financial assets and liabilities required for financial reporting purposes, including Level 3 fair values. This team reports directly to the Group Finance Director and the Audit Committee. Discussions of valuation processes and results are held between the Group Finance Director, the Audit Committee and the valuation team at least twice a year, in line with the Group's external reporting dates.

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined below:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

	Level 1	**Level 2**	**Level 3**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Financial assets and (liabilities) at fair value through profit or loss:				
- Trading derivatives	-	(57)	-	(57)
Deferred and contingent consideration	-	-	(328)	(328)
Foreign exchange contracts used for hedging	-	(94)	-	(94)
At 31 May 2015	**-**	**(151)**	**(328)**	**(479)**
Financial assets and (liabilities) at fair value through profit or loss:				
- Trading derivatives	-	(118)	-	(118)
Deferred and contingent consideration	-	-	(924)	(924)
Foreign exchange contracts used for hedging	-	66	-	66
At 30 November 2014	-	(52)	(924)	(976)

There were no transfers between levels during the period, and there were no changes in valuation techniques in the period.

11. Post balance sheet event - Acquisition

Agreement has been reached to acquire the goodwill, business and trading assets of Fiber Ceramics, Inc on 29 June 2015. This small acquisition provides filtration products for steel foundry applications.

12. Exchange rates

Exchange rates for the US dollar during the period were:

	Average rate to 31 May 15 Unaudited	Average rate to 31 May 14 Unaudited	**Closing rate at 31 May 15 Unaudited**	Closing rate at 30 Nov 14 Unaudited
US dollar	**1.53**	1.66	**1.53**	1.57

13. Seasonality

The results for the six months ended 31 May 2015 are impacted by a lower number of working days in the first six months of the year than in the second half of the year.

14. Basis of preparation

Porvair plc is a public limited company registered in the UK and listed on the London Stock Exchange.

This unaudited condensed half-yearly consolidated financial information for the six months ended 31 May 2015 has been prepared in accordance with the Disclosure and Transparency Rules ('DTR') of the Financial Conduct Authority and with IAS 34, 'Interim financial reporting' as adopted by the European Union. The condensed half-yearly consolidated financial information should be read in conjunction with the annual financial statements for the year ended 30 November 2014, which were approved by the Board of Directors on 23 January 2015 and which have been prepared in accordance with IFRSs as adopted by the European Union.

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 30 November 2014, as described in those financial statements**.**

Taxes on income in the interim period are accrued using the tax rate that would be applicable to expected total annual earnings.

This condensed half-yearly consolidated financial information has been prepared on a going concern basis under the historical cost convention, as modified by the revaluation of certain current assets, financial assets and financial liabilities held for trading and derivative contracts, which are held at fair value.

The preparation of condensed half-yearly consolidated financial information in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the condensed half-yearly consolidated financial information and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may ultimately differ from those estimates.

After having made appropriate enquiries, including a review of progress against the Group's budget for 2015, its medium term plans and taking into account the banking facilities available until January 2018, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing this condensed half-yearly consolidated financial information.

This condensed half-yearly consolidated financial information and the comparative figures does not constitute full accounts within the meaning of Section 434 of the Companies Act 2006. Statutory accounts for the year ended 30 November 2014, which include an unqualified audit report, no emphasis of matter paragraph and no statements under sections 498(2) or (3) of the Companies Act 2006, have been delivered to the Registrar of Companies.

The condensed half-yearly consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements; it should be read in conjunction with the Group's annual financial statements for the year ended 30 November 2014. There have been no changes in any risk management policies since the year end.

This report will be available at Porvair plc's registered office at 7 Regis Place, Bergen Way, King's Lynn, PE30 2JN and on the Company's website www.porvair.com.

Statement of directors' responsibilities

The Directors confirm that this condensed half-yearly consolidated financial information has been prepared in accordance with IAS 34 as adopted by the European Union and that the interim management report herein includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- an indication of important events that have occurred during the first six months of the year, their impact on the condensed half-yearly consolidated financial information and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related party transactions in the first six months of the year and any material changes in the related party transactions described in the last annual report.

The Directors of Porvair plc are listed in the Porvair plc Annual Report for the year ended 30 November 2014. A list of current Directors is maintained on the Porvair plc website www.porvair.com.

By order of the board

Ben Stocks
Group Chief Executive

Chris Tyler
Group Finance Director

26 June 2015

Independent review report to Porvair plc

Report on the condensed half-yearly consolidated financial information

Our conclusion

We have reviewed the condensed half-yearly consolidated financial information defined below, in the half-yearly results of Porvair plc for the six months ended 31 May 2015. Based on our review, nothing has come to our attention that causes us to believe that the condensed half-yearly consolidated financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

This conclusion is to be read in the context of what we say in the remainder of this report.

What we have reviewed

The condensed half-yearly consolidated financial information which is prepared by Porvair plc comprises:

- the consolidated balance sheet as at 31 May 2015;
- the consolidated income statement and consolidated statement of comprehensive income for the period then ended;
- the consolidated statement of cash flows for the period then ended;
- the consolidated statement of changes in equity for the period then ended; and
- the explanatory notes to the condensed half-yearly consolidated financial information.

As disclosed in note 14, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

The condensed half-yearly consolidated financial information included in the half-yearly results have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

What a review of condensed half-yearly consolidated financial information involves

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the half-yearly results and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed half-yearly consolidated financial information.

Responsibilities for the condensed half-yearly consolidated financial information and the review

Our responsibilities and those of the directors

The half-yearly results, including the condensed half-yearly consolidated financial information, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly results in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express to the company a conclusion on the condensed half-yearly consolidated financial information in the half-yearly results based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure and Transparency Rules of the Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP
Chartered Accountants
26 June 2015
Cambridge

Notes

(a) The maintenance and integrity of the Porvair plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the condensed half-yearly consolidated financial information since it was initially presented on the website.

(b) Legislation in the United Kingdom governing the preparation and dissemination of condensed half-yearly consolidated financial information may differ from legislation in other jurisdictions.