porvair plc

For immediate release **28 January 2013**

Results for the year ended 30 November 2012

Porvair plc ("Porvair" or "the Group"), the specialist filtration and environmental technology group, today announces its results for the year ended 30 November 2012.

Highlights

- Strong financial performance ahead of expectations:
    - Revenues grew by 12% to a record for the Group of £76.5m (2011: £68.1m).
    - Profit before tax increased by 40% to £6.3m (2011: £4.5m).
    - Basic earnings per share rose 38% to 10.1 pence (2011: 7.3 pence).
    - Net debt reduced by 24% to £3.9m (2011: £5.1m, 2010: £9.7m).
    - £3.5m was invested in three small acquisitions. All now fully integrated and running well.
    - Final dividend of 1.6 pence (2011: 1.4 pence) recommended.
- Metals Filtration:
    - Revenue increased 8% to £28.0m (2011: £25.9m) to produce record sales and operating profits for this division.
    - Excellent cash generated from operations of £4.8m (2011: £1.7m).
- Microfiltration:
    - Revenue increased 15% to £48.5m (2011: £42.2m) to produce record sales and operating profits for this division.
    - Seal Analytical revenues up 13%.
    - Healthy order position.

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

"Porvair's strategic direction and operating objectives remain consistent and are producing good results. We focus on niche markets which have structural growth drivers. 2013 has started well and order books are healthy. The Board remains cautious about the general economic outlook, but the fundamentals of the markets in which the Group operates look satisfactory. After a record year we expect revenue to grow at a more moderate rate in 2013. There is plenty of opportunity across Porvair for market share gains and the Board's outlook is positive."

For further information please contact:

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An analyst briefing will take place at 9:30 a.m. on Monday 28 January at Buchanan. An audio webcast and a copy of the presentation will be available at www.porvair.com *on the day*

Operating review

Overview

	2012 £m	2011 £m	Growth %
Revenue	76.5	68.1	12%
Profit before tax	6.3	4.5	40%
Cash generated from operations	9.2	8.1	13%
Net debt	(3.9)	(5.1)	24%

Porvair continued to make progress towards its financial and strategic objectives in 2012, thereby enhancing its prospects for 2013. Revenues grew to £76.5m and profit before tax increased to £6.3m. These are record results for the Group. Cash generated from operations increased to £9.2m and net debt reduced to £3.9m after spending £3.3m on acquisitions. The Metals Filtration division increased revenues by 8% to £28.0m (2011: £25.9m). The Microfiltration division increased revenues by 15% to £48.5m (2011: £42.2m).

Porvair's strategic direction and operating objectives have remained consistent for several years. In the five years since 2007, revenue has grown by 68% (11% CAGR); over £35m has been generated in cash from operations; and in 2012 the Group's after tax operating profit return on operating capital was 30%.

Progress made against the Group's strategic objectives in 2012 include:

Metals filtration:

- Delivery of further revenue and margin growth, as the benefits of new product development and production streamlining show through.
- Trials of the next generation of filter products, which were successful, with initial trial orders received.
- Expansion of capabilities in the plant in China.
- A small technology acquisition (Pell) was fully integrated.

Microfiltration:

- 20% growth in aviation driven by long term supply contracts for both new build and after-market.
- First shipments of the POSCO contract. Further shipments are expected in 2013.
- An £11.3m contract with the UK government for nuclear remediation signed in January 2013.
- Strong underlying growth in the division's US operation.
- 13% growth at Seal Analytical, helped by two small acquisitions, both now fully integrated.

Porvair's activities and strategy

Porvair specialises in filtration and related environmental technology. The Group has two divisions. The Microfiltration division principally serves aviation, environmental laboratory and energy markets. The Metals Filtration division serves global aluminium, NAFTA iron foundry and super-alloy markets. These are niche markets which have clear structural drivers of growth. Over 80% of sales are from consumable products for which replacement sales recur at regular intervals.

The Group manufactures in the UK, US, Germany and China.

Porvair's strategy for growth and the creation of 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, which protect more costly downstream components, are often replaced as part of a maintenance routine;
  - products, once designed into a specification, have long lifecycles.
- Focus on selected markets which have good long term growth prospects and are fundamentally cash generative: aviation, energy & industrial, environmental laboratory supplies and aluminium filtration.
- Invest consistently in new product development.
- Expand geographically, where appropriate, in our chosen markets.
- Use surplus cash to acquire complementary businesses that meet Group financial and commercial criteria.
- Generate sufficient cash to sustain a progressive dividend policy and maintain an appropriately funded balance sheet.

Divisional review

Metals Filtration

	2012 £m	2011 £m	Growth %
Revenue	28.0	25.9	8%
Operating profit	2.4	1.5	63%

Revenues increased by 8% and operating profits grew 63%. Cash generated from operations was £4.8m (2011: £1.7m). These are record results for Metals Filtration.

The division's improved performance is driven by both margin and market share growth, chiefly from three patented products introduced in recent years: Selee CSX™ for aluminium filtration; Selee SA™ for NiCo alloy filtration; and Selee IC™ for the filtration of gray and ductile iron. All three are fully accepted by our customer base to whom they offer either a better environmental solution, or better filtration efficiency, or both. These are steadily being introduced to new customers and are winning market share as a result. These new products contribute better margins to the business and enable manufacturing to be streamlined in the USA. They also enable the division to work on input costs and operating efficiencies, where steady incremental improvements have been made since 2010. The division ran at high levels of production efficiency and customer service during 2012.

After a highly cash generative year, with operating profit conversion to cash of 200%, we expect to make several investments in the division in 2013. As noted at the half year, we have started a new cycle of investment in facilities, plant and people in China, part of a settled strategy for the division that will pursue opportunities in certain niche markets in Asia. We will also be investing in the next generation of new products to be made in the USA.

Pell Industries was acquired during the year. This was a small acquisition that has been fully integrated with no additional overhead. The Pell process is novel and results in products with longer lifecycles than competitive materials. We have started to incorporate this know-how into our wider product range and are seeing sales opportunities as a result.

The division had a strong first half of 2012 with robust demand from most end markets, notably aluminium production, super-alloys for turbine blades and a strong US car and light truck market. Sales rates settled marginally lower in the third quarter and have been steady at these levels since. The Board expects demand to remain at these lower levels throughout 2013, with the impact mitigated by business development opportunities. These are in two areas: margin improvement through work on the introduction of innovative raw materials that offer product improvements and range extensions; and market share gains from an entirely new design of filter for which initial trial orders have been received. We will continue to refine and test these development opportunities throughout 2013.

Microfiltration

	2012 £m	2011 £m	Growth %
Revenue	48.5	42.2	15%
Operating profit	6.7	5.6	19%

Revenue from Microfiltration grew by 15% and operating profits grew by 19%. These are record results for the Microfiltration division.

There are two principal businesses in this division: the Porvair Filtration Group ("PFG") and Seal Analytical ("Seal").

PFG had another good year. Revenue growth was 17%. Stripping out the first shipment of the POSCO contract, underlying revenue growth was 5%.

The POSCO contract, announced at the end of 2011, is a $10m+ contract to design and build a char filtration system for a coal to substitute natural gas installation being built by POSCO at Gwangyang, South Korea. The design and build phase has gone according to plan and first deliveries were made in November 2012. Further deliveries will be made during 2013. The financial impact of the contract will be spread over several years.

Demand from elsewhere in the energy sector has been robust in 2012 and the pipeline of projects is encouraging. Early in 2013 an £11.3m contract was signed with the UK government for the supply of nuclear remediation filtration equipment. The financial impact of this work will be spread over three years from 2013.

Aerospace revenues grew 20% in the year. Porvair's aviation filters are specified on almost all commercial airframes. Around one third of our sales are to the commercial wide-bodied sector (Boeing and Airbus), with the remainder split between commercial narrow body, regional, business and rotary airframes and engines. Our filters are used roughly equally for new build and after-market purposes. Long term supply contracts for inerting and coolant filters, both previously announced, continue to drive growth. Porvair was specified onto the Airbus NEO programme in 2012 and expects to see sales growth from the Airbus 350 later in 2013.

Sales of bioscience filters also grew steadily. A series of improvements have been made in the Group's bioscience filtration capabilities in recent years, and these are showing positive results. A patent has now been awarded for the Chromatrap™ range, which remains modest in scale but continues its promising commercial development.

Underlying revenues at PFG Inc, based in the USA, grew strongly. This operation is steadily increasing its engineering and manufacturing capabilities and the results are evident. We see further opportunities in the US in 2013.

Growth in energy, aviation, bioscience and the US was partially offset by loss of revenue from the closure of a small UK plant in 2011, and in flat or declining sales into certain EU and general industrial end markets.

Revenues at Seal grew 13%, helped by two acquisitions. As reported at the interim stage, weakness in several western European markets was offset by an improvement in US demand. The Board's view is that water quality testing is a well defined niche market that will grow as water quality standards improve across the world. Seal is a market leading supplier of equipment and consumables for the detection of inorganic contamination in water.

The two acquisitions in the year have improved Seal's consumables and service capabilities. A line of block digesters and related consumables are now being manufactured in Seal's US operation, having been moved from Australia following the acquisition of the Block Digester business from AIM Lab Automation Technologies Pty Limited. Sales in the year were well ahead of expectation. The business of Pulse Instrumentation ("Pulse") was acquired and relocated from Canada to Seal's US operation. Pulse supplies a broad range of consumables for environmental laboratories and brings with it some interesting production know-how and access to a wider installed base.

Following previous product launches in 2010 and 2011, Seal introduced a third new platform in 2012, the Quaatro 39. To follow this, in December 2012, Seal acquired the design and manufacturing rights to a range of discrete water analysers which, combined with Seal's existing know-how, will greatly improve the speed and scope of product development in the discrete analyser segment. This is also being transferred to Seal's US base, as part of our strategy to broaden Seal's capabilities in the water analysis market.

Earnings per share, financing and dividends

Basic earnings per share were 10.1p (2011: 7.3p), an increase of 38%.

Cash generated from operations was £9.2m (2011: £8.1m). After interest and tax, net cash generated from operating activities was £7.4m (2011: £6.4m). At 30 November 2012 net debt was £3.9m (2011: £5.1m) after spending £3.3m in cash on acquisitions during the year.

The Directors recommend an improved final dividend of 1.6 pence per share (2011: 1.4p), making the full year dividend 2.6 pence per share (2011: 2.4p).

Staff

Much has changed at Porvair over the last five years. Sales revenues have increased by almost 70%, whilst staff numbers have increased by a fifth over the same period. At the start of 2013 the Group is on a sound financial footing and there are plenty of opportunities for growth. This is all due to our excellent staff who can see the benefits of their work in the 2012 results. The Board is most grateful for their hard work and application.

Board composition

Paul Dean joined the Board in August 2012 as an independent non-executive Director. He brings extensive commercial and financial experience in markets closely related to those served by Porvair and has quickly settled in to his new role. He will become Chairman of the Audit Committee from April 2013. He will replace Michael Gatenby, who will retire from the Board at the 2013 AGM in April. Michael has been a Director for ten years, and has made a substantial contribution to the Group's evolution over that time. We thank him and wish him well. Andrew Walker will succeed Michael as senior non executive Director.

Current trading and outlook

Porvair's strategic direction and operating objectives remain consistent and are producing good results. We focus on niche markets which have structural growth drivers. 2013 has started well and order books are healthy. The Board remains cautious about the general economic outlook, but the fundamentals of the markets in which the Group operates look satisfactory. After a record year we expect revenue to grow at a more moderate rate in 2013. There is plenty of opportunity across Porvair for market share gains and the Board's outlook is positive.

Charles Matthews, Chairman
Ben Stocks, Group Chief Executive
25 January 2013

Financial review

Group operating performance

	2012 £m	2011 £m	Growth %
Revenue	76.5	68.1	12%
Operating profit	7.2	5.3	36%
Profit before tax	6.3	4.5	40%

The operating profit margin improved to 9.4% (2011: 7.8%). This improvement arises from benefit of higher revenue driving operational gearing and improved product margins, particularly in the Metals Filtration Division. The operating performance and key performance indicators of the Microfiltration and Metals Filtration divisions are described in detail in the Operating review and below. The operating loss associated with the Other Unallocated segment was £1.9m (2011: £1.8m), which mainly comprises Group corporate costs. These include new business development costs, some research and development costs and general financial costs.

The operating profit includes amortisation charges on intangible assets arising on acquisition of £0.1m (2011: £nil), acquisition expenses written off of £0.1m (2011: £nil) and share based payment charges of £0.4m (2011: £0.3m).

Key performance indicators

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

	2012	2011
Revenue growth	**12%**	7%
Revenue growth at constant currency	**12%**	9%
Revenue growth - Metals Filtration (US dollars)	**8%**	15%
Revenue growth – Microfiltration	**15%**	4%
Operating margin - Group	**9%**	8%
Operating margin - Metals Filtration	**9%**	6%
Operating margin - Microfiltration	**14%**	13%
Profit before tax growth	**40%**	44%
Earnings per share growth	**38%**	40%
Interest cover	**8 times**	7 times
Net debt to EBITDA ratio	**0.4 times**	0.6 times
Gearing	**9%**	12%
Post tax return on capital employed	**10%**	7%
Post tax return on operating capital employed	**30%**	21%

The Board considers that the Group has performed ahead of the expectations set at the start of the financial year as measured by these Key Performance Indicators.

Impact of exchange rate movements on performance

The international nature of the Group's business means that relative movements in exchange rates can have a significant impact on the reported performance. The average rate used for translating the results of US operations into Sterling was $1.58:£ (2011: $1.60:£) and the Group's Euro denominated operations were translated at €1.22:£ (2011: €1.15:£). The slightly stronger dollar offset the weaker Euro such that currency differences on translation had only a marginal impact compared with the prior year. The Group sold forward the majority of its UK business' 2012 US dollar revenue during the financial year and achieved rates between $1.51:£ and £1.60:£ benefiting the reported performance by £0.2m compared with 2011.

Finance costs

Net interest payable increased to £0.9m (2011: £0.8m). Included within interest payable are finance costs in relation to the defined benefit pension scheme, which increased to £0.4m (2011: £0.2m) in the year. The increase arises from a lower expected return on the plan assets in the year. Other net interest payable reduced as a result of lower borrowings throughout the year.

The Group has a policy of maintaining between 40% and 60% of its borrowings on fixed interest terms. It achieves this by taking out interest rate swaps to fix the interest rates on certain of its borrowings. These provide some protection for the Group in the event of interest rate rises. The Group had approximately 40% of its gross borrowings held at a fixed rate at 30 November 2012. The contracts in place during the year are summarised below:

Fixed rate	Principal amount	Principal terms
2.43%	$5m	Matured on 12 December 2011
3.03%	£3m	Reducing by £1m on each of 30 November 2010, 2011 and 2012
1.88%	$5m	Effective from 12 December 2010 to 12 December 2013
2.29%	$2.5m	Effective from 12 December 2011 to 12 December 2013

Interest cover was 8 times (2011: 7 times), excluding the impact of the pension finance charge the interest cover is 14 times (2011: 9 times).

Tax

The Group tax charge was £2.0m (2011: £1.4m). This is an effective rate of 32% (2011: 31%), higher than the UK standard corporate tax rate of 24.7% (2011: 26.7%), mainly as a result of higher tax rates on profits made in Germany and the US. The tax charge comprises current tax of £1.8m (2011: £0.8m) and a deferred tax charge of £0.2m (2011: £0.6m). The Group has eliminated its carried forward tax losses on trade arising in the Metals Filtration division in the US in the year and has consequently released the deferred tax asset it was carrying in relation to those losses. The deferred tax asset relates to the deficit on the pension fund and share-based payments totaling £3.1m (2011: £2.2m) offset by a net £1.1m (2011: £0.8m) deferred tax liability in relation to accelerated capital allowances and other timing differences.

Total equity

Total equity at 30 November 2012 was £45.2m (2011: £42.1m), an increase of 7% over the prior year. Increases in total equity arose from profit after tax of £4.9m (2011: £3.5m), after adding back the charge for employee share option schemes; and £0.1m (2011: £0.6m) in relation to share issues on option exercises and hedge accounting instruments. Dividends paid of £1.0m (2011: £1.0m); an actuarial loss of £0.6m net of tax (2011: £1.6m) and exchange differences of £0.3m (2011: gain of £0.1m) reduced total equity.

Cash flow

The table below summarises the key movements in the cash flow for the year:

	2012	2011
	£m	£m
Operating cash flow before working capital	**9.5**	8.3
Working capital movement	**(0.3)**	(0.2)
Net cash generated from operating activities	**9.2**	8.1
Interest	**(0.5)**	(0.5)
Tax	**(1.2)**	(1.2)
Capital expenditure	**(2.0)**	(1.3)
	5.5	5.1
Acquisitions	**(3.3)**	-
Dividends	**(1.0)**	(1.0)
Other movements	**-**	0.5
Net debt at 1 December	**(5.1)**	(9.7)
Net debt at 30 November	**(3.9)**	(5.1)

Net working capital was tightly controlled and only increased by £0.3m, although revenue rose by 12% in the year. Inventories increased by £1.1m mainly as a result of the requirement to carry inventory in relation to an increasing aerospace order book. The increase in trade receivables and payables are largely accounted for by the outstanding balances in relation to the POSCO contract, all of which are in accordance with the terms of the contract.

Net interest paid represents the bank interest charged in the year and fell in line with the lower bank borrowing in the year compared with 2011.

Tax payments in the US have increased, following the utilisation of past tax losses in Metals Filtration. However, this was offset by lower tax payments in relation to Seal Germany compared with an unusually high payment in 2011.

Capital expenditure was £2.0m (2011: £1.3m). The principal investments in 2012 were for plant to increase capacity, improvements to the working environment in some of the plants and technical analysis equipment acquired to improve the quality of products and technical feedback to customers.

Acquisitions

The Group acquired three businesses in the year for a total outlay of £3.5m, £3.3m of which has been paid in cash and £0.2m of which is deferred. The block digester business of Aim Lab Automation was acquired for £0.5m; the powdered metal handling business of Pell Industries was acquired for £0.3m and the trade and assets of Pulse Instrumentation were acquired for £2.7m.

The acquisitions contributed £0.4m to net profit in the year after charging amortisation on acquired intangibles of £0.1m. Expenses in relation to the acquisitions totaling £0.1m were written off.

Borrowings and bank finance

At the year end, the Group had net borrowings of £3.9m (2011: £5.1m) comprising gross borrowings of £11.1m (2011: £10.2m) offset by cash balances of £7.2m (2011: £5.1m). Borrowings of £6.4m ($10.25m) (2011: £6.6m ($10.4m)) are held in US dollars.

The Group signed new borrowing facilities on 25 January 2013 comprising a five year $20m revolving credit facility, a £2.5m term loan and a £2.5m overdraft facility. The new facilities provide adequate operating headroom out to January 2017. At 30 November 2012, the Group had £1.0m of unused facilities (2011: £3.0m of unused facilities), an unutilised overdraft facility of £2.5m (2011: £2.5m) and cash balances of £7.2m (2011: £5.1m). £1.4m (2011: nil) of the cash balances are held as restricted cash in relation to the POSCO contract. It is expected that the restriction on this cash will be released in February 2013.

The Group's net debt to EBITDA ratio improved to 0.4 times (2011: 0.6 times) reflecting the improved profitability of the Group and a lowering of the net debt. The Group's gearing ratio (net debt as a percentage of total equity) reduced to 9% (2011: 12%).

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 $10.25m (2011: $10.4m) of US dollar borrowings exposure which partially hedged underlying US net assets on the balance sheet of $35.8m (2011: $33.1m).

The Group finances its operations and working capital by a combination of share capital and retained profits; and short and long term loans.

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 defined contribution schemes for its US employees and other UK employees.

The Group recorded a retirement benefit obligation of £8.5m (2011: £7.2m). The increase in the deficit arose principally from an actuarial loss in the year of £1.2m (2011: £1.8m). The impact of a reduction in the discount rate from 4.8% to 4.2% was the principal reason that the losses of £2.6m arose on the change in financial and demographic assumptions. This was partially offset by a return on the scheme's assets in excess of the expected return of £1.4m as a result of the good performance of the underlying investments. The other assumptions adopted were in line with the previous year.

The scheme had 54 (2011: 57) active members, 295 (2011: 301) deferred members and 265 (2011: 259) pensioners at 30 November 2012. The life expectancy of members of the scheme at age 65 is assumed to be 19.7 years (2011: 19.6 years) for men and 22.3 years (2011: 22.2 years) for women.

A full triennial actuarial valuation of the assets and liabilities of the defined benefit scheme was completed in 2010, based on data at 31 March 2009. As a result of this review, the Group and the Trustees agreed to alter the employer's contributions from 8% of salary to 8.2% of salary plus a £175,000 annual contribution towards the running costs of the scheme commencing in March 2011 and increasing by 3.25% per annum. The Group also committed to make additional annual contributions, to cover the past service deficit, of £300,000 per annum increasing by 5% per annum commencing in December 2010, with an increase to £450,000 per annum in December 2013 increasing by 5% per annum thereafter. The funding shortfall is expected to be eliminated by December 2027. The next full actuarial valuation of the scheme will be based on the pension scheme's position at 31 March 2012 and is expected to be completed before June 2013.

Chris Tyler
Group Finance Director
25 January 2013

Consolidated income statement
For the year ended 30 November

	Note	2012 £'000	2011 £'000
Revenue	1	**76,455**	68,090
Cost of sales		**(51,231)**	(45,385)
Gross profit		**25,224**	22,705
Distribution costs		**(990)**	(851)
Administrative expenses		**(17,029)**	(16,547)
Operating profit	1	**7,205**	5,307
Interest payable and similar charges		**(906)**	(806)
Interest receivable		**-**	12
Profit before income tax		**6,299**	4,513
Income tax expense		**(2,017)**	(1,414)
Profit for the year attributable to shareholders		**4,282**	3,099
Earnings per share (basic)	2	**10.1p**	7.3p
Earnings per share (diluted)	2	**9.9p**	7.3p

Consolidated statement of comprehensive income
For the year ended 30 November

	2012 £'000	2011 £'000
Profit for the year	**4,282**	3,099
Other comprehensive income / (expense):		
Exchange differences on translation of foreign subsidiaries	**(271)**	81
Changes in fair value of interest rate swaps held as a cash flow hedge	**81**	90
Actuarial losses in defined benefit pension plans net of tax	**(635)**	(1,576)
Net other comprehensive expense	**(825)**	(1,405)
Total comprehensive income for the year attributable to shareholders of Porvair plc	**3,457**	1,694

Consolidated balance sheet
As at 30 November

	Note	2012 £'000	2011 £'000
Non-current assets			
Property, plant and equipment	4	**8,641**	8,213
Goodwill and other intangible assets	5	**39,983**	37,070
Deferred tax asset		**1,996**	1,400
		50,620	46,683
Current assets			
Inventories		**10,258**	9,056
Trade and other receivables		**11,911**	11,604
Derivative financial instruments		**67**	13
Cash and cash equivalents		**7,275**	5,111
		29,511	25,784
Current liabilities			
Trade and other payables		**(14,228)**	(12,355)
Current tax liabilities		**(875)**	(361)
Bank overdrafts and loans	6	**(1,000)**	(865)
Finance lease liabilities		**-**	(6)
Derivative financial instruments		**(99)**	(180)
		(16,202)	(13,767)
Net current assets		**13,309**	12,017
Non-current liabilities			
Bank loans	6	**(10,145)**	(9,331)
Retirement benefit obligations		**(8,494)**	(7,171)
Provisions for other liabilities and charges		**(116)**	(107)
		(18,755)	(16,609)
Net assets		**45,174**	42,091
Capital and reserves			
Share capital	7	**852**	851
Share premium account	7	**34,511**	34,471
Cumulative translation reserve	8	**612**	883
Retained earnings	8	**9,199**	5,886
Total equity		**45,174**	42,091

Consolidated cash flow statement
For the year ended 30 November

	Note	2012 £'000	2011 £'000
Cash flows from operating activities			
Cash generated from operations	10	**9,163**	8,137
Interest received		**-**	85
Interest paid		**(518)**	(629)
Tax paid		**(1,238)**	(1,223)
Net cash generated from operating activities		**7,407**	6,370
Cash flows from investing activities			
Acquisition of subsidiaries (net of cash acquired)		**(3,329)**	-
Purchase of property, plant and equipment		**(1,780)**	(1,370)
Purchase of intangible assets		**(171)**	(38)
Proceeds from sale of property, plant and equipment		**23**	54
Net cash used in investing activities		**(5,257)**	(1,354)
Cash flows from financing activities			
Net proceeds from issue of ordinary share capital	7	**41**	457
Increase in / (repayment of) borrowings		**1,071**	(5,271)
Dividends paid to shareholders		**(1,023)**	(976)
Capital element of finance leases		**(6)**	(34)
Net cash generated from / (used in) financing activities		**83**	(5,824)
Net increase / (decrease) in cash and cash equivalents		**2,233**	(808)
Effects of exchange rate changes		**(69)**	22
		2,164	(786)
Cash and cash equivalents at 1 December		**5,111**	5,897
Cash and cash equivalents at 30 November		**7,275**	5,111

Reconciliation of net cash flow to movement in net debt

	2012 £'000	2011 £'000
Net increase / (decrease) in cash and cash equivalents	**2,233**	(808)
Effects of exchange rate changes	**53**	87
(Increase in) / repayment of borrowings	**(1,071)**	5,271
Repayment of finance leases	**6**	34
Net debt at 1 December	**(5,091)**	(9,675)
Net debt at 30 November	**(3,870)**	(5,091)

Consolidated statement of changes in equity

	Share capital £'000	Share premium account £'000	Cumulative translation reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 December 2010	841	34,024	802	4,814	40,481
Profit for the year	-	-	-	3,099	3,099
Other comprehensive income/(expense):					
Exchange differences on translation of foreign subsidiaries	-	-	81	-	81
Changes in fair value of interest rate swaps held as a cash flow hedge	-	-	-	90	90
Actuarial losses in defined benefit pension plans net of tax	-	-	-	(1,576)	(1,576)
Total comprehensive income for the year	-	-	81	1,613	1,694
Transactions with owners:					
Employee share option schemes:					
- value of employee services net of tax	-	-	-	435	435
Proceeds from shares issued, net of costs	10	447	-	-	457
Dividends approved or paid	-	-	-	(976)	(976)
Balance at 30 November 2011	851	34,471	883	5,886	42,091
Balance at 1 December 2011	**851**	**34,471**	**883**	**5,886**	**42,091**
Profit for the year	**-**	**-**	**-**	**4,282**	**4,282**
Other comprehensive income/(expense):					
Exchange differences on translation of foreign subsidiaries	**-**	**-**	**(271)**	**-**	**(271)**
Changes in fair value of interest rate swaps held as a cash flow hedge	**-**	**-**	**-**	**81**	**81**
Actuarial losses in defined benefit pension plans net of tax	**-**	**-**	**-**	**(635)**	**(635)**
Total comprehensive income for the year	**-**	**-**	**(271)**	**3,728**	**3,457**
Transactions with owners:					
Employee share option schemes:					
- value of employee services net of tax	**-**	**-**	**-**	**608**	**608**
Proceeds from shares issued, net of costs	**1**	**40**	**-**	**-**	**41**
Dividends approved or paid	**-**	**-**	**-**	**(1,023)**	**(1,023)**
Balance at 30 November 2012	**852**	**34,511**	**612**	**9,199**	**45,174**

Notes

1. Segment information

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

2012	**Metals Filtration**	**Microfiltration**	**Other Unallocated**	**Group**
	£'000	**£'000**	**£'000**	**£'000**
Revenue	27,977	48,478	-	**76,455**
Operating profit/(loss)	2,383	6,688	(1,866)	**7,205**
Net finance costs	-	-	(906)	**(906)**
Profit/(loss) before income tax	2,383	6,688	(2,772)	**6,299**
Income tax expense	-	-	(2,017)	**(2,017)**
Profit/(loss) for the year	2,383	6,688	(4,789)	**4,282**

2011	Metals Filtration	Microfiltration	Other Unallocated	Group
	£'000	£'000	£'000	£'000
Revenue	25,897	42,193	-	68,090
Operating profit/(loss)	1,460	5,624	(1,777)	5,307
Net finance costs	-	-	(794)	(794)
Profit/(loss) before income tax	1,460	5,624	(2,571)	4,513
Income tax expense	-	-	(1,414)	(1,414)
Profit/(loss) for the year	1,460	5,624	(3,985)	3,099

Other Group operations are included in "Other Unallocated". These mainly comprise Group corporate costs and include new business development costs, some research and development costs and general financial costs.

1. Segment information continued

Segment assets and liabilities

At 30 November 2012	**Metals Filtration £'000**	**Microfiltration £'000**	**Other Unallocated £'000**	**Group £'000**
Segmental assets	24,362	45,285	3,209	**72,856**
Cash and cash equivalents	-	-	7,275	**7,275**
Total assets	24,362	45,285	10,484	**80,131**
Segmental liabilities	(3,102)	(10,059)	(2,157)	**(15,318)**
Retirement benefit obligations	-	-	(8,494)	**(8,494)**
Borrowings	-	-	(11,145)	**(11,145)**
Total liabilities	(3,102)	(10,059)	(21,796)	**(34,957)**

At 30 November 2011	Metals Filtration £'000	Microfiltration £'000	Other Unallocated £'000	Group £'000
Segmental assets	26,005	39,068	2,283	67,356
Cash and cash equivalents	-	-	5,111	5,111
Total assets	26,005	39,068	7,394	72,467
Segmental liabilities	(3,042)	(8,466)	(1,495)	(13,003)
Retirement benefit obligations	-	-	(7,171)	(7,171)
Borrowings	-	(6)	(10,196)	(10,202)
Total liabilities	(3,042)	(8,472)	(18,862)	(30,376)

Geographical analysis

	2012		2011	
	By destination £'000	**By origin £'000**	By destination £'000	By origin £'000
Revenue				
United Kingdom	**14,250**	**34,877**	14,919	29,697
Continental Europe	**11,506**	**6,749**	10,384	6,207
United States of America	**30,963**	**33,350**	27,865	30,763
Other NAFTA	**2,846**	**-**	2,403	-
South America	**1,904**	**-**	1,588	-
Asia	**12,440**	**1,479**	8,018	1,423
Australasia	**1,048**	**-**	1,341	-
Africa	**1,498**	**-**	1,572	-
	76,455	**76,455**	68,090	68,090

2. Earnings per share

	2012 Earnings	2012 Weighted average number of shares	2012 Per share amount	2011 Earnings	2011 Weighted average number of shares	2011 Per share amount
Basic EPS	**£'000**		**(pence)**	£'000		(pence)
Earnings attributable to ordinary shareholders	**4,282**	**42,601,240**	**10.1**	3,099	42,380,215	7.3
Effect of dilutive securities – share options	**-**	**777,195**	**(0.2)**	-	156,228	-
Diluted EPS	**4,282**	**43,378,435**	**9.9**	3,099	42,536,443	7.3

3. Dividends per share

	2012 Per share	2012 £'000	2011 Per share	2011 £'000
Final dividend paid	**1.40p**	**597**	1.30p	552
Interim dividend paid	**1.0p**	**426**	1.00p	424
	2.4p	**1,023**	2.30p	976

The Directors recommend the payment of a final dividend of 1.6 pence per share (2011: 1.4 pence per share) on 7 June 2013 to shareholders on the register on 3 May 2013; the ex-dividend date is 1 May 2013. This makes a total dividend for the year of 2.6 pence per share (2011: 2.4 pence per share).

4. Property, plant and equipment

Cost	**Land and buildings**	**Assets in the course of construction**	**Plant, machinery and equipment**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
At 1 December 2011	4,159	368	23,388	27,915
Reclassification	-	(639)	639	-
Additions	50	651	1,079	1,780
Acquisitions	-	13	78	91
Disposals	-	-	(555)	(555)
Exchange differences	(45)	(6)	(255)	(306)
At 30 November 2012	**4,164**	**387**	**24,374**	**28,925**
Depreciation				
At 1 December 2011	(1,761)	-	(17,941)	(19,702)
Charge for the year	(78)	-	(1,251)	(1,329)
Disposals	-	-	534	534
Exchange differences	22	-	191	213
At 30 November 2012	**(1,817)**	**-**	**(18,467)**	**(20,284)**
Net book value				
At 30 November 2012	**2,347**	**387**	**5,907**	**8,641**
At 30 November 2011	2,398	368	5,447	8,213

5. Goodwill and other intangible assets

2012	Goodwill £'000	Development expenditure capitalised £'000	Software capitalised £'000	Trademarks, knowhow and other intangibles £'000	Total £'000
Net book amount at 1 December 2011	36,295	613	151	11	37,070
Additions	-	-	91	80	171
Acquisitions	2,458	-	19	709	3,186
Disposals - cost	-	-	(157)	-	(157)
Disposals - amortisation	-	-	156	-	156
Amortisation charges	-	(124)	(117)	(92)	(333)
Exchange differences	(87)	(15)	(5)	(3)	(110)
Net book amount at 30 November 2012	**38,666**	**474**	**138**	**705**	**39,983**

At 30 November 2012	Goodwill £'000	Development expenditure capitalised £'000	Software capitalised £'000	Trademarks, knowhow and other intangibles £'000	Total £'000
Cost	57,203	1,829	962	820	60,814
Accumulated amortisation and impairment	(18,537)	(1,355)	(824)	(115)	(20,831)
Net book amount	**38,666**	**474**	**138**	**705**	**39,983**

6. Borrowings

	2012 £'000	2011 £'000
Secured multi-currency revolving credit facility of US$15 million (2011: US$15 million) maturing in December 2013 with interest at 2.7% (2011: 2.7%) above US dollar LIBOR	**8,395**	6,492
Secured five year amortising debt facility of £2.75 million (2011: £3.75 million) expiring in December 2013 with interest at 2.7% (2011: 2.7%) above LIBOR	**2,750**	3,704
At 30 November	**11,145**	10,196

The Group had £1.0 million of unused facilities (2011: £3 million of unused facilities) and an unutilised overdraft facility of £2.5 million (2011: £2.5 million). On 25 January 2013, the Group signed a new five year banking facility agreement providing a US $20m revolving credit facility, a £2.5 million amortising term loan and a £2.5m overdraft.

7. Share capital and premium

	Number of shares thousands	Ordinary shares £'000	Share premium account £'000	Total £'000
At 1 December 2011	42,561	851	34,471	35,322
Issue of shares on exercise of share options	52	1	40	41
At 30 November 2012	**42,613**	**852**	**34,511**	**35,363**

In December 2011, February 2012 and March 2012, 51,700 ordinary shares of 2 pence each were issued on the exercise of Save As You Earn share options for cash consideration of £41,000.

8. Other reserves

	Cumulative translation reserve £'000	Retained earnings £'000
At 1 December 2010	802	4,814
Profit for the year attributable to shareholders	-	3,099
Dividends paid	-	(976)
Actuarial losses	-	(1,800)
Tax on actuarial losses	-	224
Share based payments	-	280
Tax on share based payments	-	155
Interest rate swap cash flow hedge	-	90
Exchange differences	81	-
At 30 November 2011	883	5,886
Profit for the year attributable to shareholders	**-**	**4,282**
Dividends paid	**-**	**(1,023)**
Actuarial losses	**-**	**(1,200)**
Tax on actuarial losses	**-**	**565**
Share based payments	**-**	**380**
Tax on share based payments	**-**	**228**
Interest rate swap cash flow hedge	**-**	**81**
Exchange differences	**(271)**	**-**
At 30 November 2012	**612**	**9,199**

9. Acquisitions

On 5 December 2011 a Group subsidiary, Seal Analytical Limited, purchased the Block Digestion product range ("Block Digesters") from Aim Lab Automation Technologies Pty Limited based in Australia. The product range contributed external revenue of £0.4m and a net profit of £0.1m in the period from acquisition to 30 November 2012. The total consideration paid was £485,000. Acquisition related costs of £43,000 have been charged to administrative expenses in the consolidated income statement for the year ended 30 November 2012. The purchase is accounted for as an acquisition.

On 10 February 2012 a Group subsidiary, Selee Corporation, purchased the trade and assets of Pell Industries, a manufacturer of powdered metal handling products. The product line contributed £0.1m of external revenue and a net profit of £0.1m in the period from acquisition to 30 November 2012. If the acquisition had occurred on 1 December 2011, it is estimated that the business would have contributed external revenues of £0.1m and a net profit of £0.1m in the year to 30 November 2012. Total consideration is a maximum of $500,000 (£316,000) with a $300,000 (£191,000) initial payment and a maximum further consideration of $200,000 (£125,000) contingent upon achievement of agreed average monthly revenues from acquisition until the latter part of 2013. The contingent consideration may be paid in cash or shares at the Group's option. The Group expects the contingent consideration to be paid in full in cash. Acquisition related costs of £14,000 have been charged to administrative expenses in the consolidated income statement for the year ended 30 November 2012. The purchase is accounted for as an acquisition.

On 17 April 2012 a Group subsidiary, Seal Analytical Inc., purchased the trade and assets of Pulse Instrumentation (1992) Limited, a laboratory consumables business based in Canada. The business contributed external revenues of £0.9m and a £0.1m net profit in the period from acquisition to 30 November 2012. If the acquisition had occurred on 1 December 2011 it is estimated that the business would have contributed external revenues of £1.4m and a £0.2m net profit in the year to 30 November 2012. Total consideration is a maximum of Can$4,289,000 (£2,716,000). Can$3,789,000 (£2,400,000) was paid as an initial payment, a further Can$400,000 (£253,000) was paid on 15 November 2012 following achievement of a revenue target in the six months to 31 October 2012. Can$100,000 (£63,000) was deferred until January 2013 and paid in the month. Acquisition costs of £65,000 have been charged to administrative expenses in the consolidated income statement for the year ended 30 November 2012. The purchase is accounted for as an acquisition.

	Block Digesters	Pell Industries	Pulse Instrumentation	Total
	£'000	£'000	£'000	£'000
Purchase consideration:				
Cash paid	485	191	2,653	**3,329**
Contingent consideration	-	125	-	**125**
Deferred consideration	-	-	63	**63**
Total purchase consideration	485	316	2,716	**3,517**
Fair value of net assets acquired	(79)	(45)	(935)	**(1,059)**
Goodwill	406	271	1,781	**2,458**

The goodwill attributable to each acquisition relates to the acquired customer base, the synergies between the business acquired and the existing operations of the Group and the potential to develop the acquired technologies. In addition, in the case of the acquisition of the trade and assets of Pulse Instrumentation, the goodwill is also attributable to the strategic benefits that arise from broadening the range of consumable products offered to the Group's existing customer base and the potential for economies of scale that will accrue to the Group.

10. Cash generated from operations

	2012	2011
	£'000	£'000
Operating profit	**7,205**	5,307
Non-cash pension charge	**200**	200
Share based payments	**380**	280
Depreciation, amortisation and impairment	**1,662**	2,549
Profit on disposal of property, plant and equipment	**(1)**	(34)
Operating cash flows before movement in working capital	**9,446**	8,302
Increase in inventories	**(1,069)**	(1,300)
Increase in trade and other receivables	**(486)**	(331)
Increase in payables	**1,272**	1,466
Increase in working capital	**(283)**	(165)
Cash generated from operations	**9,163**	8,137

11. Basis of preparation

The results for the year ended 30 November 2012 have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union as at 30 November 2012. The financial information contained in this announcement does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The financial information has been extracted from the financial statements for the year ended 30 November 2012, 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 2011, upon which the auditors reported without qualification, have been delivered to the Registrar of Companies.

12. Annual general meeting

The Company's Annual General Meeting will be held on Tuesday 16 April 2013 at 7 Regis Place, Bergen Way, King's Lynn, PE30 2JN.

13 Related parties

There were no related party transactions in the year ended 30 November 2012.

14 Responsibility Statement

Each of the Directors confirms that, to the best of his knowledge that:

- the financial statements, on which this announcement is based, have been prepared in accordance with the applicable law and International Financial Reporting Standards as adopted by the EU and give a true and fair view of the assets, liabilities, financial position, and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and

- the review of the business includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

The Directors of Porvair are listed in the Porvair Annual Report for the year ended 30 November 2011. Since the Report was filed Paul Dean joined as a Non-Executive Director on 2 August 2012. A list of current Directors is maintained on the Porvair website www.porvair.com.

Copies of full accounts will be sent to shareholders in March 2013. Additional copies will be available from www.porvair.com.