

For immediate release

24 January 2006

Porvair plc

Preliminary results for the year ended 30 November 2005

Strong profit growth and good technical progress in key growth opportunities

Porvair plc (“Porvair”), the specialist filtration and environmental technology group, today announces its preliminary results for the year ended 30 November 2005.

Highlights

- Profit before tax, exceptional items and goodwill amortisation is up 18% at £3.0m (2004: £2.6m). Profit before tax is £0.87m (2004: £0.33m).
- Earnings per share increased by 26% to 4.3p (2004: 3.4p) before goodwill amortisation and exceptional items. Taken after goodwill and exceptional items, losses per share reduced by 45% to 1.1p (2004: 2.0p loss).
- The core specialist filtration businesses have performed well with operating profits before goodwill amortisation and exceptional items up by 29% to £5.0m (2004: £3.9m).
- Good technical progress has been made in all the key growth opportunities of the Group.
 - First set of coal gasification filters delivered and orders for three more pilot plants received from new customers.
 - Sales of aircraft on board fuel-tank inerting filters are expected to start in 2006.
 - Diesel exhaust filter substrates are in pre-production scale-up trials.
 - The latest generation of low cost fuel cell plates has shown excellent process capability in manufacturing and is now in qualification trials.
- Recommended final dividend increased to 1.05p (2004: 1.0p) per share.

Commenting on the results, John Morgan, Chairman, said:

“It is truly a pleasure in my last Chairman’s statement to be able to report both a successful 2005 and encouraging prospects for the future. Results at the core specialist filtration businesses have been good and a strong performance is expected again. Technical and commercial progress has been made in the Group’s key growth opportunities. 2006 trading has started encouragingly and Porvair is well positioned for the future. The Board looks forward with confidence.”

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Chairman's Statement

It is a pleasure to report a good set of results after a busy and successful year at Porvair. Before tax, exceptional items and goodwill amortisation, profits were up 18% to £3.0m (2004: £2.6m). Profit before tax increased to £0.87m (2004: £0.33m).

The core specialist filtration businesses have performed well with operating profits before goodwill amortisation and exceptional items up by 29% to £5.0m (2004: £3.9m). Good technical progress has been made in the key growth opportunities of the Group.

Strategy – focus on specialist filtration and environmental technologies

In recent years Porvair has transformed itself, and these encouraging results demonstrate the benefits of this work. At the Group's core are profitable and cash generative specialist filtration operations. These high quality businesses offer a financial and technical springboard for an exciting range of new product initiatives, principally aimed at technical solutions for cleaner environmental performance. The Board sees excellent potential for sustainable growth in this area. The Group's notable long-term projects in the environmental sector include the development of:

- filters to clean gasified coal;
- substrates to reduce diesel exhaust emissions;
- fuel cell components;
- bioscience filtration devices;
- plates to improve gas combustion efficiency.

The development investment necessary for these activities has been funded from core business cash flows, although as expected this investment has had an impact on Group profits. It is particularly encouraging therefore not only to show profit growth in 2005, but also demonstrable progress in key development projects.

Strong trading performance

Group sales were £44.9m (2004: £44.6m) and operating profits before goodwill amortisation and exceptional items rose by 13% to £3.4m (2004: £3.0m) as our emphasis on higher quality specialist market niches fed through to the results. The core filtration businesses delivered a 29% increase in operating profits before goodwill amortisation and exceptional items to £5.0m (2004: £3.9m). The Group continued to invest heavily in its key growth opportunities and the net cost of its Advanced Materials division increased by 22% to £1.6m (2004: £1.3m).

The UK based Microfiltration businesses had a particularly good year delivering a 5% growth in turnover to £25.4m (2004: £24.1m) and a 31% increase in operating profits before goodwill amortisation and exceptional items to £4.1m (2004: £3.1m). Improved microplate sales returned Porvair Sciences to growth with revenues up 7%. The Porvair Filtration Group ("PFG") had a strong year in aerospace, high purity liquids and inkjet systems. A particular highlight was the announcement in June 2005 of the agreement to supply filters for Parker Hannifin's aircraft on-board fuel tank inerting system, which is expected to commence during 2006.

The US based Metals Filtration business, Porvair Selee, made healthy progress and coped well with increases in energy costs in the second half of the year. Whilst, turnover reduced by 3% to £18.9m (2004: £19.4m), operating efficiencies and costs control boosted operating profits before goodwill amortisation by 20% to £0.9m (2004: £0.8m). In March the business signed a five-year supply contract with Alcoa Inc, the world's leading producer of primary aluminium, thereby reinforcing Porvair's position as the market leader in the field of aluminium filtration.

Demonstrable progress in key growth opportunities

Porvair has developed a range of key growth opportunities in recent years, some incremental and some potentially transformational. I am pleased to report that several of these key growth opportunities made very encouraging strides towards commercialisation during 2005. The first set of coal gasification filters due, under the \$20m filtration contract with S G Solutions LLC announced in January 2005, were delivered on time. Further pilot scale orders from new customers were received in the year and are expected to be delivered in the first half of 2006. Sales of our combustion plate range more than doubled during the year. The metallic substrate for diesel exhaust emission control has shown excellent test results and pre-production scale-up work has started. Qualification trials for our latest generation of low cost fuel cell plates are underway. The Board is confident about the prospects for these technologies in the future.

Acquisition of the final stake in PFG

In November 2005 the Group acquired the 21% minority position in PFG for £6.25m plus expenses. This was funded by a £3.9m share placing with the balance from borrowings. Shareholders now get the full benefit of the profits and cash flows generated by PFG and we are pleased to have secured the continued participation of the existing management team.

Strong cash flow

I am pleased to report that the Group again delivered strong cash flow from its operations. Underlying cash inflow before acquisitions, disposals and financing was £2.5m (2004:£1.3m).

This performance meant that Group net borrowings rose by only £0.5m to £8.5m (2004:£8.0m). Taking account of the additional borrowings to fund the acquisition and the £0.9m increase arising from the retranslation of the Group's dollar denominated debt this is a very encouraging result. Interest cover before goodwill amortisation and exceptional items was a comfortable 9.1 times (2004: 6.5 times)

Earnings per share and dividend

Earnings per share before exceptional costs and goodwill amortisation increased 26% to 4.3p (2004: 3.4p). Including exceptional items and goodwill amortisation, losses per share improved to 1.1p (2004: 2.0p loss). A final dividend of 1.05p (2004: 1.0p) per share is recommended for 2005. This dividend increase reflects the capability of the Group to generate cash and its growth prospects.

Employees and the Board

This will be my last Chairman's statement. After 25 years with the Porvair - the last seven as non executive Chairman - I have decided to step down. The time is right so to do. The major

changes undertaken in recent years are proving a success. The Group is on a sound financial footing, has a clear strategy, and is poised to enter a period of exciting growth. Orderly Board succession planning over the last two years has led to the introduction of three high calibre directors to the Group: Charles Matthews and Andrew Walker as non-executive Directors and Christopher Tyler as Finance Director. I have been impressed with the contribution they have all made. Your Company is in good hands. Its management team have faced several difficult challenges in recent years and proven their ability in overcoming them. We have a strong Board and an experienced Chief Executive.

I will hand over the role of non-executive Chairman to Charles Matthews at the AGM in April. Charles has a successful record of entrepreneurial management and experience of chairmanship in other companies, both public and private. He has the right blend of skills to help the executive team deliver Porvair's potential.

On behalf of the Board, I would like to thank our excellent staff for their hard work in 2005. It has been a busy year, and our people throughout the organisation have acquitted themselves well. To those of you who, like me, have been with Porvair for many years, a personal thank you. Much has been achieved over time and working with you all has been a pleasure. Finally, I am indebted to Michael Gatenby, the senior non-executive on the Board, whose counsel and advice, particularly during this transitional period, I have valued highly.

Outlook

It is truly a pleasure in my last Chairman's statement to be able to report both a successful 2005 and encouraging prospects for the future. Results at the core specialist filtration businesses have been good and a strong performance is expected again. Technical and commercial progress has been made in the Group's key growth opportunities. 2006 trading has started encouragingly and Porvair is well positioned for the future. The Board looks forward with confidence.

Operating and Financial Review

Porvair is a specialist filtration business whose proprietary micro-porous materials offer both competitive strength and exciting commercial potential.

The Group specialises in filters for growing market segments where product life cycles are long and technical specifications challenging. Such segments, which include aluminium, aerospace, bioscience, nuclear clean-up and high-purity liquids amongst others, require filtration where product performance is more critical than unit price. Porvair aims to avoid over-dependence in any one market – no single market accounts for more than 16% of sales - but the engineering expertise necessary to design the sort of bespoke filters produced by the Group can be spread across a number of the markets the Group serves.

Porvair has invested heavily in R&D in recent years in developing new materials and products that we believe have the potential to transform Porvair. Many of these opportunities, which range in scale, risk and timeframe, provide technical solutions to help protect the environment, whether by providing key components in alternative clean energy systems or controlling emissions from existing sources. The Group believes such opportunities, driven as they are by legislation or environmental requirements, offer significant potential for future growth.

Operations 2005

Microfiltration

The Microfiltration division delivered a strong performance in the year. Sales in this division grew 5% in 2005 and operating profits before goodwill amortisation and exceptional items grew by 31%.

Most segments of this business did well. Of particular note was the 29% growth in high purity liquid filters driven principally by a contract to fit water filtration systems to Royal Navy ships. Sales of aerospace filters grew by 10% and ink jet filters growth was 13%. Porvair Sciences recovered well from a difficult 2004 with the core microplate product range growing 16%.

Several of the Group's key growth opportunities are under development in this division, and progress was encouraging. A supply agreement for aircraft on-board fuel tank inerting systems was signed with Parker Hannifin in June 2005. Commercial sales of this product are expected to commence in 2006. Recent comments by the Federal Aviation Authority in the US suggest that use of such systems may become widespread in the years ahead. The first set of coal gasification filters due under the \$20m supply agreement with S G Solutions LLC announced in January 2005 were built and delivered. Enquiries from other customers in this fast developing field grew quickly during the year and PFG secured three further orders for pilot gasification plants from new customers. PFG is also utilising its expertise in porous plastic technology to develop a range of bioscience filtration devices, several of which are in early stage trials. These are exciting prospects for the Group.

Metals filtration

Porvair Selee ('Selee') had a good year, and dealt well with pressure on raw material and energy prices. Sales fell marginally to £18.9m (2004: £19.4m) as a few US customers idled their capacity in the face of higher energy costs but by driving through operational efficiencies, controlling costs and, later in the year, passing through price increases Selee was able to deliver operating profit before goodwill amortisation growth of 20%.

Several successes at Selee during the year augur well: the plant ran well, with scrap levels at an all time low. Engineered Ceramics, a division specialising in metals handling, posted a record year for sales and profits. Selee's inoculant filter continued to pick up new customers. An alliance agreement with Ashland Casting Solutions was signed under which Ashland, a major supplier to the foundry industry worldwide, will sell the Selee foundry filter range. This will provide Ashland with a new range of high performance products to sell, and should significantly increase Selee's access to market.

Porvair Advanced Materials ('PAM')

PAM is developing two unique micro-porous materials for use in a range of applications including fuel cells, diesel exhaust emission control, combustion and heat exchange. These projects are complex and unforeseen challenges are to be expected. Consequently, determining when new products will start to generate revenue is unpredictable and, although 2005 has been a good year for technical progress at PAM, sales for the year are lower than in 2004 when our 2003 generation of prototype bipolar plates were being sold.

However, the prognosis for the year ahead is exciting. Our metallic substrate for diesel exhaust emission control has shown excellent test results with over 100,000 miles of on-road testing completed and we are currently working through the challenges of production scale-up. Our bipolar plate for fuel cells has made good technical progress in 2005. We are now confident that it can be mass produced efficiently. This moulded product, when compared to those produced as recently as 2003, offers similar technical performance at almost one tenth of the price. Final qualification trials at our lead customer, UTC Fuel Cells, LLC, started at the end of 2005. Sales of our combustion plate range more than doubled during the year and we achieved Underwriters Laboratory certification on a new product designed for food preparation.

Exceptional items

The Group benefited from a net £0.1m exceptional credit in the period. This comprised an exceptional credit of £0.7m arising on the collection of a debt that had been written off prior to the acquisitions of 2001; and a charge of £0.6m principally relating to additional property costs associated with the business disposals of 2003.

Shareholders' funds

Shareholders' funds of £33.3m were £2.8m higher than at 30 November 2004. Shareholders' funds were increased by a share issue of £3.9m net of expenses, profit after tax before goodwill amortisation of £2.2m and exchange gains of £0.1m. Shareholders' funds were reduced by goodwill amortisation of £2.2m, the minority's interest in the profit and loss account of £0.4m, and dividends paid and proposed of £0.8m.

Cash Flow

The Group generated good cash flow in 2005. Net cash inflow from operating activities before exceptional cash items was £4.6m (2004: £4.9m). Net cash inflow from operating activities was £4.5m (2004: £2.8m). Exceptional cash outflows of £0.1m relate to the settlement of a number of items associated with business disposals undertaken in 2003 off set by the receipt of a previously written off debt of £0.7m.

Capital expenditure was £0.8m (2004: £1.2m). Net interest paid was £0.3m (2004: £0.5m) and £0.8m (2004: £nil) was paid in tax making a net cash inflow from operations before acquisitions disposals and financing of £2.5m (2004: £1.3m). Interest cover before goodwill amortisation and exceptional items was 9.1 times (2004: 6.5 times).

The Group paid £0.7m (2004: £0.7m) in dividends. £6.6m including professional fees was paid to acquire the 21% of PFG that the Group did not already own. A net £3.9m was received from a placing of 3.7m shares issued to raise finance for the acquisition of the stake in PFG with the balance of the consideration funded by borrowings. £1.3m was received in relation to disposals which were completed in 2003 and 2004.

The Group's reduction in net debt before exchange differences was £0.4m. Currency translation effects of the dollar denominated borrowings increased net debt by £0.9m, resulting in an overall increase in net debt of £0.5m.

At the year end the Group had net borrowings of £8.5m (2004: £8.0m) comprising gross borrowings of £9.5m offset by cash balances of £1.0m. The Group had unutilised borrowing facilities of £4.5m and an unutilised overdraft facility of £3m.

The Group's gearing (net debt as a percentage of shareholders' funds) remained constant at 26%.

Tax

The Group tax charge of £0.9m represents an effective tax rate of 29% on profits before goodwill amortisation and exceptional items. The tax charge comprises current tax of £1.0m and a deferred tax credit of £0.1m. The Group carries a deferred tax asset in relation to the losses in its US operations. The tax credits associated with this year's losses in the US have not been recognised.

Finance & 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 \$18.1m of dollar borrowings exposure which hedged underlying US assets on the balance sheet of \$17.1m. 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 are principally at floating rate.

Pension schemes

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

In the exceptional charges arising in 2003 the Group provided for additional cash payments to the defined benefit pension scheme to be paid over the following three years. During the year the Group made a £550,000 payment, in addition to its ongoing funding commitments, and expects to make a further payment of £550,000 in March 2006.

The Group continues to account for its pension scheme under SSAP 24 and carries a pension prepayment on the balance sheet of £0.7m (2004: £0.7m). Under FRS 17 the Group has a pension scheme deficit of £6.8m (2004: £7.3m). If FRS 17 had been applied to these accounts then the Group's shareholders' funds would have been reduced by £4.7m (2004: £4.5m).

Adoption of International Financial Reporting Standards

The Group will be required to adopt International Financial Reporting Standards ("IFRS") with effect from 1 December 2005. An initial assessment of the impact on the Group's financial statements and underlying processes has been made and regular updates on progress have been given to the audit committee. The principal adjustments that the Group will be required to make to the existing accounts include: ceasing the amortisation of goodwill, providing for the pension deficit and charging the profit and loss account with an increased pension charge, revaluing the long term debtor at fair value and charging the profit and loss account with an appropriate charge for options awards.

Group profit and loss account
For the year ended 30 November

| | 2005 Before exceptional items and goodwill amortisation | 2005 Goodwill amortisation | 2005 Exceptional items (note 3) | 2005 | 2004 Before goodwill amortisation | 2004 Goodwill amortisation | 2004 |
|---|--|----------------------------------|--|-----------------|--|----------------------------------|----------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Turnover | 44,873 | - | - | 44,873 | 44,632 | - | 44,632 |
| Cost of sales | (30,985) | - | - | (30,985) | (30,466) | - | (30,466) |
| Gross profit | 13,888 | - | - | 13,888 | 14,166 | - | 14,166 |
| Distribution costs | (510) | - | - | (510) | (485) | - | (485) |
| Research and development expenses | (3,291) | - | - | (3,291) | (3,181) | - | (3,181) |
| Administrative expenses | (6,687) | (2,221) | 67 | (8,841) | (7,937) | (2,224) | (10,161) |
| Group operating profit/(loss) before share of profit in associated undertaking | 3,400 | (2,221) | 67 | 1,246 | 2,563 | (2,224) | 339 |
| Share of operating profit in associated undertaking | - | - | - | - | 454 | - | 454 |
| Operating profit/(loss) - continuing operations | 3,400 | (2,221) | 711 | 1,890 | 2,563 | (2,224) | 339 |
| Operating profit/(loss) - discontinued operations | - | - | (644) | (644) | 454 | - | 454 |
| Total operating profit/(loss) | 3,400 | (2,221) | 67 | 1,246 | 3,017 | (2,224) | 793 |
| Interest payable (net) | (372) | - | - | (372) | (460) | - | (460) |
| Profit/(loss) on ordinary activities before taxation | 3,028 | (2,221) | 67 | 874 | 2,557 | (2,224) | 333 |
| Tax on profit/(loss) on ordinary activities | (889) | - | (20) | (909) | (833) | - | (833) |
| Profit/(loss) on ordinary activities after taxation | 2,139 | (2,221) | 47 | (35) | 1,724 | (2,224) | (500) |
| Equity minority interests | (561) | 201 | - | (360) | (457) | 208 | (249) |
| Profit/(loss) for the financial year | 1,578 | (2,020) | 47 | (395) | 1,267 | (2,016) | (749) |
| Dividends | | | | (793) | | | (736) |
| Deficit for the financial year | | | | (1,188) | | | (1,485) |
| Earnings/(loss) per share (basic and diluted) | 4.3p | (5.5)p | 0.1p | (1.1)p | 3.4p | (5.4)p | (2.0)p |
| Dividend per share | | | | 2.05p | | | 2.00p |

**Group reconciliation of movements in equity shareholders' funds
For the year ended 30 November**

| | 2005 | 2004 |
|--|----------------|---------|
| | £'000 | £'000 |
| Loss for the financial year | (395) | (749) |
| Dividends | (793) | (736) |
| Deficit for the financial year | (1,188) | (1,485) |
| Exchange differences | 113 | (239) |
| New shares issued | 3,908 | - |
| Net increase/(reduction) in shareholders' funds | 2,833 | (1,724) |
| Opening shareholders' funds | 30,472 | 32,196 |
| Closing shareholders' funds | 33,305 | 30,472 |

**Statement of total recognised gains and losses
For the year ended 30 November**

| | 2005 | 2004 |
|--|--------------|-------|
| | £'000 | £'000 |
| Loss for the financial year | (395) | (749) |
| Exchange differences | 113 | (239) |
| Total losses recognised in the year | (282) | (988) |

Group balance sheet
At 30 November

| | 2005 £'000 | 2004 £'000 |
|--|-----------------------|-----------------------|
| Fixed assets | | |
| Intangible assets | 26,502 | 27,785 |
| Tangible assets | <u>8,057</u> | <u>8,241</u> |
| | 34,559 | 36,026 |
| Current assets | | |
| Stocks | 6,103 | 5,897 |
| Debtors falling due within one year | <u>7,970</u> | <u>8,263</u> |
| Debtors falling due after more than one year | <u>2,682</u> | <u>3,071</u> |
| | 10,652 | 11,334 |
| Cash at bank and in hand | <u>1,001</u> | <u>3,047</u> |
| | 17,756 | 20,278 |
| Creditors: amounts falling due within one year | <u>(8,377)</u> | <u>(7,753)</u> |
| Net current assets | 9,379 | 12,525 |
| Total assets less current liabilities | <u>43,938</u> | <u>48,551</u> |
| Creditors: amounts falling due after more than one year | (9,012) | (10,052) |
| Provisions for liabilities and charges | <u>(1,621)</u> | <u>(2,508)</u> |
| | <u>33,305</u> | <u>35,991</u> |
| Capital and reserves | | |
| Called up share capital | 810 | 736 |
| Share premium account | 32,513 | 28,679 |
| Other reserves | (987) | (1,100) |
| Profit and loss account | <u>969</u> | <u>2,157</u> |
| Total equity shareholders' funds | <u>33,305</u> | <u>30,472</u> |
| Equity minority interests | - | 5,519 |
| Capital employed | <u>33,305</u> | <u>35,991</u> |

Group cash flow statement
For the year ended 30 November

| | 2005 | 2004 |
|--|----------------|----------|
| | £'000 | £'000 |
| Net cash inflow from operating activities | 4,457 | 2,811 |
| Dividend from associated undertaking | - | 161 |
| Returns on investments and servicing of finance | | |
| Interest received | 185 | 112 |
| Interest paid | (494) | (635) |
| Net cash outflow from returns on investments and servicing of finance | (309) | (523) |
| Taxation | | |
| UK corporation tax (paid)/refunded | (800) | 18 |
| Overseas tax paid | - | (18) |
| | (800) | - |
| Capital expenditure and financial investment | | |
| Purchase of tangible fixed assets | (842) | (1,228) |
| Sale of tangible fixed assets | - | 57 |
| Net cash outflow from capital expenditure and financial investment | (842) | (1,171) |
| Acquisitions and disposals | | |
| Disposal of subsidiaries' assets and liabilities | 300 | - |
| Sale of associated undertaking | 988 | 526 |
| Acquisition of minority interest in a subsidiary | (6,603) | - |
| Net cash (outflow)/inflow from acquisitions and disposals | (5,315) | 526 |
| Equity dividends paid | (736) | (736) |
| Net cash (outflow)/inflow before financing | (3,545) | 1,068 |
| Financing | | |
| Issue of ordinary shares | 4,048 | - |
| Expenses of share issue | (140) | - |
| Decrease in borrowings | (2,508) | (1,827) |
| Net cash inflow/(outflow) from financing | 1,400 | (1,827) |
| Decrease in net cash in the year | (2,145) | (759) |
| Reconciliation of net cash flow to movement in net debt | | |
| Decrease in cash in the year | (2,145) | (759) |
| Decrease in borrowings | 2,508 | 1,827 |
| Change in net debt from cash flows | 363 | 1,068 |
| Exchange differences | (869) | 1,035 |
| Movement in net debt in year | (506) | 2,103 |
| Opening net debt | (8,005) | (10,108) |
| Closing net debt | (8,511) | (8,005) |

Turnover and segmental analyses

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

| | 2005 | | 2004 | |
|--------------------|-------------------------|--------------------|-------------------------|--------------------|
| | By destination £'000 | By origin £'000 | By destination £'000 | By origin £'000 |
| Turnover | | | | |
| United Kingdom | 12,181 | 25,392 | 12,707 | 24,121 |
| Continental Europe | 5,144 | - | 5,735 | - |
| Americas | 22,019 | 19,481 | 21,036 | 20,511 |
| Asia | 4,376 | - | 3,526 | - |
| Australasia | 503 | - | 665 | - |
| Africa | 650 | - | 963 | - |
| | 44,873 | 44,873 | 44,632 | 44,632 |

| | 2005 £'000 | 2004 £'000 |
|--------------------|---------------|---------------|
| Turnover | | |
| Metals Filtration | 18,861 | 19,387 |
| Microfiltration | 25,392 | 24,121 |
| Advanced Materials | 620 | 1,124 |
| | 44,873 | 44,632 |

Operating profit/(loss)

| | 2005 | | | 2004 | | | |
|--|---|--------------------------------|-------------------------------------|--|---|--------------------------------|--|
| | Operating profit/(loss) before goodwill amortisation and exceptional items £'000 | Goodwill amortisation £'000 | Exceptional items (note 3) £'000 | Operating profit/(loss) after goodwill amortisation £'000 | Operating profit/(loss) before goodwill amortisation £'000 | Goodwill amortisation £'000 | Operating profit/(loss) after goodwill amortisation £'000 |
| Metals Filtration | 919 | (1,211) | - | (292) | 765 | (1,213) | (448) |
| Microfiltration | 4,096 | (1,010) | 711 | 3,797 | 3,123 | (1,011) | 2,112 |
| Advanced Materials | (1,615) | - | - | (1,615) | (1,325) | - | (1,325) |
| Operating profit/(loss) – continuing operations | 3,400 | (2,221) | 711 | 1,890 | 2,563 | (2,224) | 339 |
| Operating profit/(loss) – discontinued operation | - | - | (644) | (644) | - | - | - |
| Share of operating profit in associated undertaking - discontinued | - | - | - | - | 454 | - | 454 |
| Total operating profit/(loss) | 3,400 | (2,221) | 67 | 1,246 | 3,017 | (2,224) | 793 |

Turnover and segmental analyses continued

As at 30 November

| Net assets | Before | | 2005 | Before | | 2004 |
|-------------------------|---------------|---------------|----------------------|---------------|---------------|---------------|
| | goodwill | Goodwill | Including | goodwill | Goodwill | Including |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Metals Filtration | 6,323 | 11,738 | 18,061 | 6,252 | 12,733 | 18,985 |
| Microfiltration | 8,120 | 14,764 | 22,884 | 8,686 | 15,052 | 23,738 |
| Advanced Materials | 1,034 | - | 1,034 | 809 | - | 809 |
| | <u>15,477</u> | <u>26,502</u> | <u>41,979</u> | <u>15,747</u> | <u>27,785</u> | <u>43,532</u> |
| Long term loan | | | 1,089 | | | 1,112 |
| Deferred consideration | | | 700 | | | 1,988 |
| Taxation | | | 67 | | | 81 |
| Dividend payable | | | (425) | | | (368) |
| Net borrowings | | | (8,511) | | | (8,005) |
| Continuing Group | | | 34,899 | | | 38,340 |
| Discontinued operations | | | (1,594) | | | (2,349) |
| Net assets | | | <u>33,305</u> | | | <u>35,991</u> |

Reconciliation of operating profit to net cash flow from operating activities

| | 2005 | 2004 |
|---|---------------------|--------------|
| | £'000 | £'000 |
| Total Group operating profit before share of associated undertaking and exceptional items | 1,179 | 339 |
| Goodwill amortisation | 2,221 | 2,224 |
| Depreciation | 1,506 | 1,654 |
| Loss on sale of fixed assets | 4 | 4 |
| (Increase)/decrease in stocks | (19) | 359 |
| (Increase)/decrease in debtors | (235) | 963 |
| Decrease in creditors | (85) | (629) |
| Net cash inflow from operating activities before exceptional items | 4,571 | 4,914 |
| Cash inflow relating to exceptional items - continuing operations | 711 | - |
| Cash outflow relating to exceptional items - discontinued operations | (825) | (2,103) |
| Net cash inflow from operating activities | <u>4,457</u> | <u>2,811</u> |

Additional notes

1. Exchange rates

Exchange rates for US dollar during the period were:

| | Average rate 30 Nov 05 | Average rate 30 Nov 04 | Closing rate 30 Nov 05 | Closing rate 30 Nov 04 | Closing rate 1 Dec 03 |
|-----------|-----------------------------------|---------------------------|-----------------------------------|---------------------------|--------------------------|
| US dollar | 1.8377 | 1.8134 | 1.7304 | 1.9115 | 1.7199 |

2. Dividends

The Board has recommended a final dividend of 1.05p per share (2004: 1.0p) to be paid on 2 May 2006 to shareholders on the register at the close of business on 7 April 2006. The ex-dividend date for the shares is 5 April 2006. This makes a total dividend for the year of 2.05p (2004: 2.00p).

3. Exceptional items

The exceptional items comprised a credit of £0.7m arising on the collection of a debt that had been written off prior to the acquisitions of 2001; and a charge of £0.6m principally relating to additional property costs associated with the business disposals of 2003.

4. Nature of financial statements

These financial statements are not the full financial statements for the Group. The abridged profit and loss account and balance sheet for the year to 30 November 2004 is an extract from the full accounts for that year which have been delivered to the Registrar of Companies; the report of the auditors on those accounts was unqualified. The full financial statements for this year, on which the auditors have reported without qualification, have not yet been delivered to the Registrar of Companies. A full copy of the financial statements will be delivered to the Registrar following the Company's annual general meeting.

5. Annual general meeting

The Company's annual general meeting will be held on Wednesday 12 April 2006 at Brampton House, Bergen Way, King's Lynn.