

Porvair plc Interim Report 2011

porvair

Delivering sustainable solutions for long term growth



About Porvair

Porvair is a specialist filtration and environmental technology group employing about 500 people, with operations in the UK, US, Germany and China.

The Group develops, designs and manufactures specialist filtration and separation equipment. We serve a range of markets of which aviation, energy and industrial process, environmental laboratories and molten metals are the most important.

At the heart of what we do is the filtration and engineering expertise which allows us to solve customer problems across all the markets we serve.

Porvair aims to develop and exploit its expertise in specialist filtration and environmental technologies for the sustainable benefit of its shareholders, staff and other stakeholders.

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Interim highlights

for the six months ended 31 May 2011

Key features

- Revenues grew by 5% (7% in constant currency) to £31.1 million (2010: £29.7 million).
- Profit before tax increased by 27% to £1.6 million (2010: £1.3 million).
- Earnings per share up 29% to 2.7 pence (2010: 2.1 pence).
- Management's expectations for the full year have been increased.
- Net debt fell substantially by £5.4 million to £8.9 million over the last 12 months (2010: £14.3 million).
- Interim dividend of 1.0 pence (2010: 1.0 pence) declared.

Metals Filtration:

- Further take up of patented new products leading to improved margins;
- Streamlining manufacturing processes underway;
- First profitable period for Chinese plant.

Microfiltration:

- Aerospace revenues up 17% with promising schedules for the second half;
- Record orders in the second quarter, including several large bids won in gasification and nuclear;
- Seal Analytical revenues lower by 9% compared with prior period but expected to perform well over the full year.

Chief Executive's review

Overview

Porvair has continued to make good progress against its objectives for 2011 and this is shown in the performance for the six months ended 31 May 2011:

- Revenues grew by 5% (7% in constant currency) to £31.1 million (2010: £29.7 million).
- Profit before tax rose by 27% to £1.6 million (2010: £1.3 million).
- Earnings per share increased by 29% to 2.7 pence (2010: 2.1 pence).
- Net debt reduced by £5.4 million to £8.9 million over the last 12 months (2010: £14.3 million).

These improvements have been driven by: investment in new and patented products; steady geographic expansion in key sectors; and stronger demand in certain areas. Sales from new and patented products, key to our plans for organic growth since 2004/5, contributed 30% (2010: 23%; 2009: 13%) of sales revenues in the period. Further investments in people and equipment have been made in the plants in China and the Microfiltration plant in the US. Demand in aluminium, US auto and aerospace markets have been stronger in 2011.

The Group's order book has strengthened steadily over the first half of the year. The outlook for the second half is promising and management's expectations for the full year have been increased as a result.

Porvair's activities and strategy

Porvair specialises in filtration and related environmental technology. We operate two divisions. The Microfiltration division comprises the Porvair Filtration Group, Porvair Sciences and Seal Analytical ('Seal'). It principally serves aviation, environmental laboratory and energy markets. The Metals Filtration division serves global aluminium, NAFTA iron foundry and super-alloy markets. The Group manufactures in the UK, US, Germany and China. Its sales are global.

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 very long lifecycles.
- Focus on selected markets which have good long term growth: aviation, energy & industrial, environmental laboratory supplies and aluminium filtration.
- Invest consistently in specified new products.
- Expand geographically, where appropriate, in our chosen markets.
- Acquire complementary businesses that meet Group financial and commercial criteria.
- Maintain an appropriately funded balance sheet and generate sufficient cash to sustain a progressive dividend policy.

Operating review

Divisional performance – Metals Filtration

Revenues increased 8% (12% in constant currency) to £12.2 million (2010: £11.3 million). Operational gearing and improved margins from new and patented products substantially improved operating profits and it is a pleasure to be able to report a doubling of revenue and a maiden profit at the division's satellite plant in Wuhan, China.

Customers' markets have been stronger in the period: aluminium production has increased buoyed by a stronger aluminium price; US car production has increased throughout the period; and improved airline passenger numbers have increased aircraft usage.

Revenue and margin growth is further supported by the adoption of 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. The first two products have now been fully adopted by our existing customers and the aluminium CSX filter has started to make market share gains. The last to be developed, Selee IC, has now been adopted by around half our customers, and this proportion is expected to increase in the second half of the year. These new products contribute better margins to the business and allow manufacturing to be streamlined. As a result, one of the three main production lines in our US facility was shut down towards the end of the period, with capacity being taken up in other lines in the US and China. This will further improve margins in the second half of the year and beyond.

Divisional performance – Microfiltration

Revenue from Microfiltration grew by 3% to £19.0 million (2010: £18.4 million). Aerospace revenue grew by 17%, schedules strengthened steadily throughout the period and the growth from inerting filters is ahead of our expectations. Microfiltration took record orders in the second quarter, with several large bids won in the gasification and nuclear markets. The US subsidiary, PFG Inc, continues to trade well and hire staff as it grows.

New products continue to be a focus at Porvair and the first half of 2011 saw progress with some bioscience filtration developments on which we have been working for many years. In April we launched Chromatrap™, a product that improves chromatin immunoprecipitation in epigenetic research. This product filters at a molecular level. We expect sales to grow steadily, and can see an interesting path ahead in further developing the technology.

Revenues at Seal Analytical were 9% lower (7% in constant currency) compared with a strong first half in 2010. Profitability was in line with expectations but lower than 2010, which benefited from the favourable impact of currency movements. The pipeline of order prospects is, however, encouraging and we expect Seal to perform well over the full year. A new continuous flow analyser, the Seal AA1, was launched in March, following the new discrete analyser (Seal AQ1) launched in 2010. Both have been well received.

Earnings per share and dividends

The basic and diluted earnings per share for the period increased 29% to 2.7 pence (2010: 2.1 pence). The Board is again declaring an interim dividend of 1.0 pence (2010: 1.0 pence) per share. In recent years the interim dividend has remained unchanged, with dividend increments declared at the time of the full year results in January in line with the Group's progressive dividend policy.

Cash flow and net debt

Cash generated from operations in the six months to 31 May 2011 was £1.8 million (2010: £1.9 million). Stronger trading in Microfiltration and a build up of inventory in Metals Filtration prior to the transfer of some production to China has temporarily increased inventories by £1.5 million (2010: £0.7 million). It is expected that much of this increase in inventories will reverse over the next nine months. £1.3 million (€1.6 million) was collected in the period from the maturity of a long term interest bearing receivable, underlying receivables increased as a result of strong trading in the second quarter.

Chief Executive's review continued

Net interest paid was £0.3 million (2010: £0.3 million), tax paid was £0.7 million (2010: £0.3 million) and capital expenditure was £0.8 million (2010: £0.6 million).

Proceeds of £0.3 million (2010: £nil) were received on the exercise of share options and exchange rate movements reduced net debt by £0.5 million (2010: increased £1.0 million). Closing net debt at 31 May 2011 was £8.9 million (31 May 2010: £14.3 million; 30 November 2010: £9.7 million).

Current trading and outlook

Porvair's strategic direction and operating objectives, which focus on new product growth and geographic expansion in key markets, have been consistent for several years, and their benefits are discernable in these results. The Board expects these benefits to continue to show through in the second half of 2011 and beyond. In the Metals Filtration division margins are improving and will continue to do so as manufacturing is streamlined. In Microfiltration, the strength of the current order book and pipeline of potential opportunities is encouraging. As a result, management's expectations for the year have been increased.

Ben Stocks, Group Chief Executive

Related parties

There were no related party transactions in the six months ended 31 May 2011.

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 Annual Report for the year ended 30 November 2010.

As was shown in 2009, certain elements of the Group's order position, although healthy at 31 May 2011, 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. The orders are, therefore, subject to fluctuations that could have a material effect on the Group's results for the balance of 2011.

The Microfiltration division serves several customers whose orders are quite 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 2011.

Forward looking statements

Certain statements in this half yearly financial report 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	
		2011 Unaudited £'000	2010 Unaudited £'000
Revenue	1	31,131	29,661
Cost of sales		(20,590)	(19,917)
Gross profit		10,541	9,744
Other operating expenses		(8,516)	(8,021)
Operating profit	1	2,025	1,723
Interest payable and similar charges		(409)	(577)
Interest receivable		12	134
Profit before income tax		1,628	1,280
Income tax expense		(494)	(412)
Profit for the period attributable to shareholders		1,134	868
Earnings per share (basic)	2	2.7p	2.1p
Earnings per share (diluted)	2	2.7p	2.1p

Consolidated statement of comprehensive income

For the six months ended 31 May	Six months ended 31 May	
	2011 Unaudited £'000	2010 Unaudited £'000
Profit for the period	1,134	868
Other comprehensive (expense)/income:		
Exchange differences on translation of foreign subsidiaries	(712)	1,970
Changes in fair value of interest rate swaps held as a cash flow hedge	52	31
Net other comprehensive (expense)/income	(660)	2,001
Total comprehensive income for the period attributable to shareholders of Porvair plc	474	2,869

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

Consolidated balance sheet

As at 31 May	Note	As at 31 May		As at 30 Nov
		2011 Unaudited £'000	2010 Unaudited £'000	2010 Audited £'000
Non-current assets				
Property, plant and equipment	4	8,486	9,255	8,659
Goodwill and other intangible assets	4	36,496	39,500	37,916
Deferred tax asset		1,794	2,768	1,652
		46,776	51,523	48,227
Current assets				
Inventories		9,164	9,277	7,727
Trade and other receivables		10,653	11,820	11,330
Derivative financial instruments		136	–	–
Cash and cash equivalents		4,248	2,795	5,897
		24,201	23,892	24,954
Current liabilities				
Trade and other payables		(10,563)	(9,496)	(10,402)
Current tax liabilities		(542)	(845)	(777)
Bank overdraft and loans		(921)	(1,964)	(2,344)
Finance lease liabilities		(18)	(92)	(34)
Derivative financial instruments		(218)	(555)	(284)
		(12,262)	(12,952)	(13,841)
Net current assets		11,939	10,940	11,113
Non-current liabilities				
Bank loans		(12,201)	(14,999)	(13,188)
Finance lease liabilities		–	(18)	(6)
Retirement benefit obligations		(5,414)	(8,552)	(5,594)
Provisions for other liabilities and charges		(74)	(68)	(71)
		(17,689)	(23,637)	(18,859)
Net assets		41,026	38,826	40,481
Capital and reserves				
Share capital	5	848	841	841
Share premium account	5	34,366	34,024	34,024
Cumulative translation reserve	6	90	2,393	802
Retained earnings	6	5,722	1,568	4,814
Total equity		41,026	38,826	40,481

The interim financial statements on pages 5 to 15 were approved by the Board of Directors on 24 June 2011 and were signed on its behalf by:

Ben Stocks
Group Chief Executive

Christopher 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	
		2011 Unaudited £'000	2010 Unaudited £'000
Cash flows from operating activities			
Cash generated from operations	7	1,776	1,908
Interest received		85	155
Interest paid		(416)	(485)
Tax paid		(694)	(333)
Net cash generated from operating activities		751	1,245
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(799)	(567)
Purchase of intangible assets	4	(15)	(39)
Proceeds from sale of property, plant and equipment		19	–
Net cash (used in) investing activities		(795)	(606)
Cash flows from financing activities			
Net proceeds from the issue of ordinary shares	5	349	–
(Repayment) of borrowings	8	(1,892)	(1,284)
Capital element of finance leases	8	(22)	(72)
Net cash (used in) financing activities		(1,565)	(1,356)
Net (decrease) in cash and cash equivalents	8	(1,609)	(717)
Effects of exchange rate changes		(40)	128
Cash and cash equivalents at the beginning of the period		(1,649)	(589)
		5,897	3,384
Cash and cash equivalents at the end of the period		4,248	2,795

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 2009	841	34,024	423	1,107	36,395
Profit for the period	–	–	–	868	868
Other comprehensive income for the period:					
Exchange differences on translation of foreign subsidiaries	–	–	1,970	–	1,970
Changes in fair value of interest rate swaps held as a cash flow hedge	–	–	–	31	31
Total comprehensive income for the period	–	–	1,970	899	2,869
Transactions with owners:					
Employee share option schemes:					
Value of employee services net of tax	–	–	–	88	88
Dividends approved or paid	–	–	–	(526)	(526)
Balance at 31 May 2010	841	34,024	2,393	1,568	38,826
Balance at 1 December 2010	841	34,024	802	4,814	40,481
Profit for the period	–	–	–	1,134	1,134
Other comprehensive (expense)/income for the period:					
Exchange differences on translation of foreign subsidiaries	–	–	(712)	–	(712)
Changes in fair value of interest rate swaps held as a cash flow hedge	–	–	–	52	52
Total comprehensive (expense)/income for the period	–	–	(712)	1,186	474
Transactions with owners:					
Proceeds from shares issued, net of costs	7	342	–	–	349
Employee share option schemes:					
Value of employee services net of tax	–	–	–	274	274
Dividends approved or paid	–	–	–	(552)	(552)
Balance at 31 May 2011	848	34,366	90	5,722	41,026

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

Notes to the interim 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 2011, 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 2011 are as follows:

Six months ended 31 May 2011 – Unaudited	Metals Filtration £'000	Microfiltration £'000	Other unallocated £'000	Group £'000
Revenue	12,172	18,959	–	31,131
Operating profit/(loss)	540	2,189	(704)	2,025
Finance costs	–	–	(397)	(397)
Profit/(loss) before income tax	540	2,189	(1,101)	1,628
Income tax expense	–	–	(494)	(494)
Profit/(loss) for the period	540	2,189	(1,595)	1,134

The segment results for the period ended 31 May 2010 are as follows:

Six months ended 31 May 2010 – Unaudited	Metals Filtration £'000	Microfiltration £'000	Other unallocated £'000	Group £'000
Revenue	11,307	18,354	–	29,661
Operating profit/(loss)	276	2,080	(633)	1,723
Finance costs	–	–	(443)	(443)
Profit/(loss) before income tax	276	2,080	(1,076)	1,280
Income tax expense	–	–	(412)	(412)
Profit/(loss) for the period	276	2,080	(1,488)	868

The Other unallocated segment mainly comprises Group corporate costs not directly allocated, some research and development costs not directly allocated, new business development costs, tax, and general finance costs.

Notes to the interim financial information continued

1 Segmental analyses (continued)

Segment assets and liabilities

	Metals Filtration £'000	Microfiltration £'000	Other unallocated £'000	Group £'000
At 31 May 2011 – Unaudited				
Segmental assets	25,420	39,126	2,183	66,729
Cash and cash equivalents	–	–	4,248	4,248
Total assets	25,420	39,126	6,431	70,977
Segmental liabilities	(2,797)	(6,718)	(1,882)	(11,397)
Retirement obligations	–	–	(5,414)	(5,414)
Borrowings	–	(18)	(13,122)	(13,140)
Total liabilities	(2,797)	(6,736)	(20,418)	(29,951)
At 31 May 2010 – Unaudited				
Segmental assets	29,424	39,101	4,095	72,620
Cash and cash equivalents	–	–	2,795	2,795
Total assets	29,424	39,101	6,890	75,415
Segmental liabilities	(3,015)	(6,017)	(1,932)	(10,964)
Retirement obligations	–	–	(8,552)	(8,552)
Borrowings	–	(110)	(16,963)	(17,073)
Total liabilities	(3,015)	(6,127)	(27,447)	(36,589)
At 30 November 2010 – Audited				
Segmental assets	25,873	38,061	3,350	67,284
Cash and cash equivalents	–	–	5,897	5,897
Total assets	25,873	38,061	9,247	73,181
Segmental liabilities	(2,767)	(6,805)	(1,962)	(11,534)
Retirement obligations	–	–	(5,594)	(5,594)
Borrowings	–	(40)	(15,532)	(15,572)
Total liabilities	(2,767)	(6,845)	(23,088)	(32,700)

Segment assets consist primarily of property, plant and equipment, intangible assets, inventories and receivables.

Segment liabilities comprise operating liabilities and include items such as taxation.

1 Segmental analyses (continued)

Geographical analysis

Revenue

	Six months ended 31 May			
	2011 Unaudited		2010 Unaudited	
	By destination £'000	By origin £'000	By destination £'000	By origin £'000
United Kingdom	7,062	13,752	5,693	13,372
Continental Europe	5,158	2,960	4,252	3,419
United States of America	11,583	13,653	12,044	12,851
Other NAFTA	2,038	–	2,267	–
South America	567	–	730	–
Asia	4,122	766	3,989	19
Australasia	114	–	285	–
Africa	487	–	401	–
	31,131	31,131	29,661	29,661

2 Earnings per share

	Six months ended 31 May					
	2011 Unaudited			2010 Unaudited		
	Earnings £'000	Weighted average number of shares	Per share amount (pence)	Earnings £'000	Weighted average number of shares	Per share amount (pence)
Basic EPS –						
Earnings attributable to ordinary shareholders	1,134	42,187,437	2.7	868	42,073,640	2.1
Effect of dilutive securities – share options	–	81,897	–	–	656	–
Diluted EPS	1,134	42,269,334	2.7	868	42,074,296	2.1

3 Dividends per share

	Six months ended 31 May			
	2011 Unaudited		2010 Unaudited	
	Per share	£'000	Per share	£'000
Final dividend approved	1.30p	552	1.25p	526

The final dividend approved was paid to shareholders on 10 June 2011.

The Directors have declared an interim dividend of 1.0 pence (2010: 1.0 pence) per share to be paid on 9 September 2011 to shareholders on the register at the close of business on 5 August 2011. The ex-dividend date for the shares is 3 August 2011.

Notes to the interim financial information continued

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

	Property, plant and equipment £'000	Goodwill and other intangible assets £'000	Total £'000
Six months ended 31 May 2011 – Unaudited			
Opening net book amount at 1 December 2010	8,659	37,916	46,575
Additions	799	15	814
Disposals	(3)	–	(3)
Depreciation, amortisation, impairment and other movements	(969)	(1,435)	(2,404)
Closing net book amount at 31 May 2011	8,486	36,496	44,982

	Property, plant and equipment £'000	Goodwill and other intangible assets £'000	Total £'000
Six months ended 31 May 2010 – Unaudited			
Opening net book amount at 1 December 2009	8,872	37,634	46,506
Additions	567	39	606
Disposals	(1)	–	(1)
Depreciation, amortisation, impairment and other movements	(183)	1,827	1,644
Closing net book amount at 31 May 2010	9,255	39,500	48,755

5 Share capital and premium

	Number of shares (thousands)	Ordinary shares Unaudited £'000	Share premium account Unaudited £'000	Total Unaudited £'000
At 1 Dec 2009, 31 May 2010 and 1 Dec 2010	42,074	841	34,024	34,865
Employee share options schemes: Proceeds from the exercise of options under share option schemes	352	7	342	349
At 31 May 2011	42,426	848	34,366	35,214

The authorised number of ordinary shares is 75 million (2010: 75 million) shares with a par value of 2.0 pence (2010: 2.0 pence) per share. All issued shares are fully paid.

In January 2011, 352,000 ordinary shares of 2.0 pence each were issued on the exercise of employee share options for cash consideration of £349,000.

6 Other reserves

	Cumulative translation reserve Unaudited £'000	Retained earnings Unaudited £'000
At 1 December 2009	423	1,107
Profit for the period attributable to shareholders	–	868
Direct to equity:		
Dividends approved	–	(526)
Share based payments	–	66
Tax on share based payments	–	22
Interest rate swap cash flow hedge	–	31
Exchange differences	1,970	–
At 31 May 2010	2,393	1,568
At 1 December 2010	802	4,814
Profit for the period attributable to shareholders	–	1,134
Direct to equity:		
Dividends approved	–	(552)
Share based payments	–	103
Tax on share based payments	–	171
Interest rate swap cash flow hedge	–	52
Exchange differences	(712)	–
At 31 May 2011	90	5,722

7 Cash generated from operations

	Six months ended 31 May	
	2011 Unaudited £'000	2010 Unaudited £'000
Operating profit	2,025	1,723
Non-cash pension charge	200	300
Share based payments	103	66
Depreciation, amortisation and impairment	1,370	1,017
Profit on disposal of property, plant and equipment	(16)	(1)
Operating cash flows before movement in working capital	3,682	3,105
(Increase) in inventories	(1,545)	(663)
Decrease/(increase) in trade and other receivables	301	(1,150)
(Decrease)/increase in payables	(662)	616
(Increase) in working capital	(1,906)	(1,197)
Cash generated from operations	1,776	1,908

Notes to the interim financial information continued

8 Reconciliation of net cash flow to movement in net debt

	Six months ended 31 May	
	2011 Unaudited £'000	2010 Unaudited £'000
Net (decrease) in cash and cash equivalents	(1,609)	(717)
Effects of exchange rate changes	478	(1,007)
Repayment of borrowings	1,892	1,284
Repayment of finance leases	22	72
Net debt at the beginning of the period	(9,675)	(13,910)
Net debt at the end of the period	(8,892)	(14,278)

9 Exchange rates

Exchange rates for the US dollar during the period were:

	Average rate to 31 May 11 Unaudited	Average rate to 31 May 10 Unaudited	Closing rate at 31 May 11 Unaudited	Closing rate at 30 Nov 10 Audited
US dollar	1.61	1.55	1.65	1.56

10 Seasonality

The results for the six months ended 31 May 2011 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. The number of working days is 7% lower in the first six months of the year compared to the second half of the year.

11 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 2011 has been prepared in accordance with the Disclosure and Transparency Rules ('DTR') of the Financial Services 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 2010, 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 2010, as described in those financial statements. As at the date of signing the interim financial statements, there are no new standards likely to affect the financial statements for the year ending 30 November 2011.

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.

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 2010, 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.

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, to the best of their knowledge, 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 4.2.7R and DTR 4.2.8R, 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 2010. There have been no changes in directors in the period. 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

Christopher Tyler

Group Finance Director

24 June 2011

Independent review report to Porvair plc

Introduction

We have been engaged by the company to review the condensed half-yearly consolidated financial information in the half-yearly financial report for the six months ended 31 May 2011, which comprises the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet as at 31 May 2011, the consolidated cash flow statement, the consolidated statement of changes in equity and related notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed half-yearly consolidated financial information.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 11, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed half-yearly consolidated financial information included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed half-yearly consolidated financial information in the half-yearly financial report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of the Disclosure and Transparency Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, 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.

Scope of review

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.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed half-yearly consolidated financial information in the half-yearly financial report for the six months ended 31 May 2011 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 Services Authority.

PricewaterhouseCoopers LLP
Chartered Accountants
24 June 2011
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 financial statements may differ from legislation in other jurisdictions.

Board committees, Secretary and advisers

Directors

Ben Stocks (Group Chief Executive)
Christopher Tyler (Group Finance Director)
Charles Matthews* (Chairman)
Michael Gatenby* (Senior Non-Executive Director)
Andrew Walker*

*denotes independent Non-Executive Director

Members of the Audit Committee

Michael Gatenby (Chairman)
Charles Matthews
Andrew Walker

Members of the Remuneration Committee

Andrew Walker (Chairman)
Charles Matthews
Michael Gatenby

Members of the Nomination Committee

Charles Matthews (Chairman)
Michael Gatenby
Andrew Walker

Secretary and registered office

Christopher Tyler
7 Regis Place
Bergen Way
King's Lynn PE30 2JN

Company registration number

1661935

Statutory auditors

PricewaterhouseCoopers LLP
Abacus House
Castle Park
Cambridge CB3 0AN

Principal bankers

Barclays Bank plc
Barclays Commercial Bank
PO Box 885
Mortlock House
Station Road
Histon
Cambridge CB24 9DE

Investment bankers

Close Brothers
10 Crown Place
London EC2A 4FT

Registrars and transfer office

Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

Solicitors

Travers Smith
10 Snow Hill
London EC1A 2AL

Stockbrokers

Peel Hunt LLP
111 Old Broad Street
London EC2N 1PH

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www.porvair.com

porvair