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30 January 2023

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Porvair plc

Results for the year ended 30 November 2022

Porvair plc ("Porvair" or "the Group"), the specialist filtration, laboratory and environmental technology group, announces its results for the year ended 30 November 2022.

Highlights:

- Revenue 18% higher at £172.6 million (2021: £146.3 million), 13% higher on a constant currency basis*.
- Operating profit 25% higher at £19.8 million (2021: £15.8 million).
- Adjusted operating profit* 29% higher at £20.5 million (2021: £15.9 million).
- Profit before tax 26% higher at £18.7 million (2021: £14.8 million).
- Adjusted profit before tax* 31% higher at £19.4 million (2021: £14.8 million).
- Basic earnings per share 23% higher at 32.1 pence (2021: 26.0 pence).
- Adjusted basic earnings per share* 32% higher at 33.2 pence (2021: 25.2 pence).
- Net cash was £18.3 million (2021: £10.2 million) after investing £5.9 million (2021: £7.2 million) in capital expenditure and acquisitions.
- Recommended final dividend of 3.8 pence (2021: 3.5 pence) bringing the full year dividend to 5.7 pence (2021: 5.3 pence).

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

"2022 was a record year with 13% constant currency revenue growth and adjusted profit before tax 31% higher. All three divisions traded well to deliver top line growth ahead of the Group's fifteen-year average of 9% revenue CAGR. Porvair's strategy and devolved management structure together helped to overcome challenging supply chain, inflationary and operating conditions.

"As we move into 2023 the Board sees some reasons for caution in the near-term: supply chain dislocation, while diminishing, requires vigilance; inflationary pressures continue; the wider economic picture is uncertain and there is a likelihood of currency headwinds. However, the Group order book finished the year at record levels despite clear signs of lead times returning to normal; the aerospace outlook is healthier than it has been since 2019; the petrochemical orderbook is encouraging; and recent new product introductions will support growth. Consistent investment in productivity over the last five years is improving operating margins and a strong balance sheet will support continued investment in 2023. Porvair benefits from global growth trends including tightening environmental regulation; growth in analytical science; the need for clean water; carbon-efficient transportation; the replacement of plastic and steel by aluminium; and the drive for manufacturing process quality and efficiency. These trends have supported a consistent medium and long-term growth record and the Board is confident that this can continue."

* See notes 1, 2 and 3 for definitions and reconciliations.

For further information please contact:

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James Mills, Group Finance Director

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An analyst briefing will take place at 9:30 a.m. on Monday 30 January 2023, please contact Buchanan if you wish to join. An audiocast of the meeting and the presentation will subsequently be made available at www.porvair.com.

Operating review

2022 started with supply side dislocation and goods inflation exacerbated by energy shocks and distorted by currency fluctuation. The year finished with supply side issues diminishing, albeit slowly, and wage inflation gathering pace. It was a year when close operational focus and attention to margins was essential but could not be allowed to disrupt the delivery of longer-term investments in productivity, product development and people.

The Group navigated challenging conditions satisfactorily, achieving reported revenue growth of 18%, although this is flattered by foreign exchange. Constant currency revenue growth was 13%. Revenue was driven by robust order books throughout the year and price increases passed on whenever goods inflation could not be avoided. Record profit and a focus on cash meant the year finished with £18.3 million of cash on the balance sheet.

Porvair's devolved management structure is helpful in volatile conditions, enabling key cost, price and inventory decisions to be made close to the market. Operational objectives shared across all general managers were around cash generation, margin enhancement and active employee engagement; with almost all targets set delivered or exceeded. Details of our employee engagement and environmental programmes are published in a separate ESG report at the same time as these financial results.

Financial results

	2022	2021	Growth
	£m	£m	%
Revenue	**172.6**	146.3	18
Operating profit	**19.8**	15.8	25
Adjusted operating profit*	**20.5**	15.9	29
Profit before tax	**18.7**	14.8	26
Adjusted profit before tax*	**19.4**	14.8	31
	Pence	Pence	
Earnings per share	**32.1**	26.0	23
Adjusted earnings per share*	**33.2**	25.2	32
	£m	£m	
Cash generated from operations	**22.8**	18.6	
Net cash (excluding lease liabilities)	**18.3**	10.2	

* See notes 1, 2 and 3 for definitions and reconciliations.

Revenue was 18% higher. Profit before tax increased by 26%. Adjusted profit before tax was up 31% and adjusted earnings per share up 32%.

It was a year of unusually strong currency tail-winds. At constant currency, revenue growth was 13% (see note 1). The direct effects of foreign exchange on profit are harder to measure. We estimate that adjusted operating profit at constant currency would have been around £19.0 million and adjusted earnings per share around 31 pence.

The Group's record for growth, cash generation and investment is:

	5 years CAGR*	**10 years CAGR***	**15 years CAGR***
Revenue growth	8%	8%	9%
Earnings per share growth	10%	12%	12%
Adjusted earnings per share growth	11%	13%	12%
	£m	**£m**	**£m**
Cash from operations	86.7	152.1	187.8
Investment in acquisitions and capital expenditure	44.8	78.7	96.4

* Compound annual growth rate

Porvair's strategy and purpose has remained consistent for 18 years, a period that now encompasses two recessions and a pandemic. This longer-term growth record gives the Board confidence in the Group's capabilities and is the basis for capital allocation and planning decisions.

Strategic statement and business model

Porvair's strategic purpose is the development of specialist filtration, laboratory and environmental technology businesses for the benefit of all stakeholders. Principal measures of success include consistent earnings growth and selected ESG measures as set out in the full ESG report.

The Group is positioned to benefit from global trends: tightening environmental regulations; growth in analytical science; the need for clean water; carbon-efficient transportation; the replacement of plastic and steel by aluminium; and the drive for manufacturing process quality and efficiency.

Porvair businesses have certain key characteristics in common:

- Specialist design or engineering skills are required;
- Product use and replacement is mandated by regulation, quality accreditation or a maintenance cycle; and
- Products are typically designed into a system that will have a long life-cycle and must perform to a given specification.

Orders are won by offering the best technical solutions at an acceptable commercial cost. Technical expertise is necessary in all markets served. New products are often adaptations of existing designs with attributes validated in our own test and measurement laboratories. Experience in specific markets and applications is valuable in building customer confidence. Domain knowledge is important, as is deciding where to direct resources.

This leads the Group to:

1. Focus on markets with long-term growth potential;
2. Look for applications where product use is mandated and replacement demand is regular;
3. Make new product development a core business activity;
4. Establish geographic presence where end-markets require; and
5. Invest in both organic and acquired growth.

Therefore:

- We focus on three operating segments: Aerospace & Industrial; Laboratory; and Metal Melt Quality. All have clear long-term growth drivers;
- Our products typically reduce emissions or protect complex downstream systems and, as a result, are replaced regularly. A high proportion of our annual revenue is from repeat orders;
- Through a focus on new product development, we aim to generate growth rates in excess of the underlying market. Where possible, we build intellectual property around our product developments;
- Our geographic presence follows the markets we serve. In the last twelve months: 50% of revenue was in the Americas; 18% in Asia; 21% in Continental Europe; 10% in the UK; and 1% in Africa. The Group has plants in the US, UK, Germany, the Netherlands and China. In the last twelve months: 55% of revenue was manufactured in the US; 29% in the UK; 13% in Continental Europe; and 3% in China;
- We aim to meet dividend and investment needs from free cash flow and modest borrowing facilities. In recent years we have expanded manufacturing capacity in the UK, Germany, US and China, and made several acquisitions. All investments are subject to a hurdle rate analysis based on strategic and financial priorities.

Environmental, Social and Governance ('ESG')

The Board understands that responsible business development is essential for creating long-term value for stakeholders. Most of the products made by Porvair are used for the benefit of the environment. Our water analysis equipment measures contamination levels in water. Industrial filters are typically needed to reduce emissions or improve efficiency. Aerospace filters improve safety and reliability. Nuclear filters confine fissile materials. Metal Melt Quality filters reduce waste and help improve the strength to weight ratio of metal components.

A full ESG report is published with this statement, setting out:

- Porvair's ESG management framework, goals and TCFD reporting;
- How climate change and a net zero carbon future might affect markets served by the Group;
- ESG metrics and results; and
- How the Group has acted for the benefit of its stakeholders in 2022.

In 2020 the Group set a target to achieve a 10% reduction in carbon intensity ratio by 2025. As set out in the ESG report, this was exceeded in 2022. The Board has reset the target to achieve a further 10% reduction from

ESG report, this was exceeded in 2022. The Board has reset the target to achieve a further 10% reduction from the 2022 baseline.

Divisional review

Aerospace & Industrial

	2022 **£m**	2021 £m	Growth %
Revenue	**64.7**	55.8	16
Operating profit	**6.8**	3.9	74
Adjusted operating profit*	**7.2**	4.4	64

* See notes 1 and 2 for definitions and reconciliations.

The Aerospace & Industrial division designs and manufactures a wide range of specialist filtration products, demand for which is driven by customers seeking better engineered, cleaner, safer or more efficient operations. Differentiation is achieved through design engineering; the development of intellectual property; and quality accreditations.

Revenue grew 16%, or 13% at constant currency (note 1), with aerospace, nuclear and microelectronics all well ahead of the prior year. It was a slower year for petrochemical work but orders picked up in the final quarter and the outlook is brighter, particularly for emissions control work in India. For the second year there were no gasification sales with current filters performing better than expected in situ. Aerospace revenue was up 19% and the order book for 2023 is healthy.

Operating profit benefitted from both volume and pricing effects and were further improved by productivity investments made in covid-affected prior years. Adjusted operating profit margin at 11.1% is returning to pre-pandemic levels. Investments continued through the year to improve quality, capacity and productivity.

It was a good year for recently introduced products. While relatively modest in revenue terms, unusual engineering challenges were successfully undertaken for both the SpaceX and Blue Origin space programmes; the US DoE nuclear waste remediation programme at Hanford River; and the International Thermonuclear Experimental Reactor in France.

Laboratory

	2022 **£m**	2021 £m	Growth %
Revenue	**62.7**	53.2	18
Operating profit	**10.0**	9.6	4
Adjusted operating profit*	**10.3**	9.6	7

* See notes 1 and 2 for definitions and reconciliations.

The Laboratory division has two operating businesses: Porvair Sciences (including JG Finneran and Kbio) and Seal Analytical.

- Porvair Sciences manufactures laboratory filters, small instruments and associated consumables. Differentiation is achieved through proprietary manufacturing capabilities and filtration media.

- Seal Analytical is a leading supplier of instruments and consumables for environmental laboratories, for which demand is driven by water quality regulations. Differentiation is achieved through consistent new product development.

Revenue grew 18%, or 14% at constant currency (note 1), with both Seal Analytical and the Life Sciences consumables segments achieving record sales. Kbio performed well, returning to more normal sales patterns after a covid-related boost in the prior year and helped by increased sales into the US through JG Finneran sales channels.

Operating profit was up 7%, or 5% in constant currency, with margins softening as flattering covid-related work settled back and a more normal product mix returned. Adjusted operating profit margin at 16.4% is at satisfactory levels. Investment continued through the year in tooling and capacity expansion for sample preparation products.

The recently introduced AQ700 water analysis instrument exceeded expectations in the year and will be a key component in Seal's future growth. Based on proprietary component design this is a high-throughput, low detection-limit instrument ideally suited to laboratories where automation of process is becoming essential.

Metal Melt Quality

	2022 £m	2021 £m	Growth %
Revenue	**45.2**	37.4	21
Operating profit	**5.7**	5.7	-
Adjusted operating profit*	**5.7**	5.1	12

* See notes 1 and 2 for definitions and reconciliations.

The Metal Melt Quality division manufactures filters for molten aluminium, ductile iron and nickel-cobalt alloys. It has a well-differentiated product range based on patented products and a promising new product pipeline.

Revenue was at a record level, growing at 21%, or 11% at constant currency (note 1). Post-covid recovery in aerospace and foundry-related markets helped, as did further progress in the demand for metal grades suitable for electric and hybrid vehicles; and the switch from plastic to recyclable aluminium beverage packaging. Over 90 billion cans were made from aluminium filtered by Porvair in 2022.

Operating profit was up 12%, or 6% in constant currency. Adjusted margin was ahead of target at 12.6%, marginally less than the prior year which was flattered by lower than normal selling and other costs.

Dividends

The Board re-affirms its progressive dividend policy and recommends a final dividend of 3.8 pence per share, at a value of £1.7 million (2021: 3.5 pence per share, at a value of £1.6 million). The full year dividend increases by 7.5% to 5.7 pence per share, a value of £2.6 million (2021: 5.3 pence per share, a value of £2.4 million). The Company had £36.5 million (2021: £27.8 million) of distributable reserves at 30 November 2022.

Staff

In many respects, of our various stakeholders, it is our staff that are the most crucial. 2022 was not an easy year in which to work in manufacturing operations with the macro shocks of inflation and economic uncertainty combining with micro complications of supply disruption and covid-related absence. The staff across our 17 facilities have coped well and the Board wishes to salute their resourcefulness and perseverance. Porvair believes in devolving management autonomy as far as possible, and our management teams are remunerated in part by how well they execute the employee engagement framework set out by the Board. The Board is very grateful for the hard work, enthusiasm and dedication of all our staff.

Current trading and outlook

2022 was a record year with 13% constant currency revenue growth and adjusted profit before tax 31% higher. All three divisions traded well to deliver top line growth ahead of the Group's fifteen-year average of 9% revenue CAGR. Porvair's strategy and devolved management structure together helped to overcome challenging supply chain, inflationary and operating conditions.

As we move into 2023 the Board sees some reasons for caution in the near-term: supply chain dislocation, while diminishing, requires vigilance; inflationary pressures continue; the wider economic picture is uncertain and there is a likelihood of currency headwinds. However, the Group order book finished the year at record levels despite clear signs of lead times returning to normal; the aerospace outlook is healthier than it has been since 2019; the petrochemical orderbook is encouraging; and recent new product introductions will support growth. Consistent investment in productivity over the last five years is improving operating margins and a strong balance sheet will support continued investment in 2023. Porvair benefits from global growth trends including tightening environmental regulation; growth in analytical science; the need for clean water; carbon-efficient transportation; the replacement of plastic and steel by aluminium; and the drive for manufacturing process quality and efficiency. These trends have supported a consistent medium and long-term growth record and the Board is confident that this can continue.

Ben Stocks
Group Chief Executive
27 January 2023

Financial review

Group results

	2022	2021	Growth

	£m	£m	%
Revenue	**172.6**	146.3	18
Operating profit	**19.8**	15.8	25
Profit before tax	**18.7**	14.8	26
Profit after tax	**14.7**	11.9	24

Revenue was 18% higher on a reported currency basis and 13% higher at constant currency (see note 1). Operating profit was £19.8 million (2021: £15.8 million) and profit before tax was £18.7 million (2021: £14.8 million). Profit after tax was £14.7 million (2021: £11.9 million).

Alternative performance measures - profit

	2022	2021	Growth
	£m	£m	%
Adjusted operating profit	**20.5**	15.9	29
Adjusted profit before tax	**19.4**	14.8	31
Adjusted profit after tax	**15.3**	11.6	32

The Group presents alternative performance measures to enable a better understanding of its trading performance (see note 1). Adjusted operating profit and adjusted profit before tax exclude items that are considered significant and where treatment as an adjusted item provides a more consistent assessment of the Group's trading. Adjusting items comprise a £0.7 million charge (2021: a net £0.1 million charge) for the amortisation of acquired intangible assets. The details of these adjustments are set out in note 1.

Impact of exchange rate movements on performance

The international nature of the Group's business means that relative movements in exchange rates can affect reported performance. The rates used for translating the results of overseas operations were:

	2022	2021
Average rate for translating the results:		
US $ denominated operations	**$1.25:£**	$1.37:£
Euro denominated operations	**€1.18:£**	€1.16:£
Closing rate for translating the balance sheet:		
US $ denominated operations	**$1.19:£**	$1.32:£
Euro denominated operations	**€1.16:£**	€1.18:£

The movement in average rates used for translating US dollar and Euro results into Sterling has resulted in a net favourable revenue variance year-on-year of £8.2 million, between reported and constant currency (note 1 explains how constant currency performance is determined).

During the year, the Group sold US$25.0 million (2021: US$16.5 million) at a net rate of US$1.29:£1(2021: US$1.36:£1) and €2.6 million (2021: €10.5 million) at a net rate of €1.19:£1 (2021: €1.14:£1). At 30 November 2022, the Group had US$13.0 million (2021: US$1.0 million) and €0.4 million (2021: €0.3 million) of outstanding forward foreign exchange contracts; hedge accounting has not been applied to these contracts.

Finance costs

Net interest payable comprises bank borrowing costs, interest on lease liabilities, interest on the Group's pension deficit and the cost of unwinding discounts on provisions and other payables. Interest in the year remained flat at £1.1 million (2021: £1.1 million). Interest cover was 18 times (2021: 15 times). Interest cover on bank finance costs was 57 times (2021: 51 times).

Tax

The total Group tax charge for the year was £4.0 million (2021: £2.8 million), including the tax effect of adjusting items which are set out in note 1. The adjusted tax charge was £4.2 million (2021: £3.2 million), with the effective rate of income tax on adjusted profit before tax being 21% (2021: 22%). The Group effective tax rate was impacted by overseas profits, which attract higher tax rates than the current 19% in the UK, noting the enacted increase in UK Corporation Tax to 25% from April 2023.

The total tax charge comprises current tax of £3.4 million (2021: £2.7 million) and deferred tax of £0.6 million (2021: £0.1 million).

The Group has current tax provisions of £0.3 million (2021: £0.9 million), which includes £1.1 million (2021: £1.1 million) for uncertainties relating to the interpretation of tax legislation in the Group's operating territories, offset by payments on account and amounts recoverable for overpayments of tax.

The Group carries a deferred tax asset of £1.0 million (2021: £1.8 million) and a deferred tax liability of £2.8 million (2021: £2.4 million). The deferred tax asset relates principally to the retirement benefit obligations and share-based payments. The deferred tax liability relates to accelerated capital allowances, acquired intangible assets arising on consolidation and other timing differences.

Total equity and distributable reserves

Total equity at 30 November 2022 was £131.1 million (2021: £108.9 million), an increase of 20% over the prior year.

The net increase in total equity includes profit after tax of £14.7 million (2021: £11.9 million), a net of tax actuarial gain of £1.3 million (2021: £1.6 million), together with a £7.8 million exchange gain (2021: £nil) on the retranslation of foreign subsidiaries.

The Company had £36.5 million (2021: £27.8 million) of distributable reserves at 30 November 2022. The Company's distributable reserves increased in the year from dividends received from Group companies, together with an actuarial gain, offset by head office costs and dividends paid to shareholders.

Cash flow

The table below summarises the key elements of the cash flow for the year:

	2022 £m	2021 £m
Operating cash flow before working capital	**26.9**	21.0
Working capital movement	**(2.7)**	(0.8)
Post-employment benefits (net cash movement)	**(1.4)**	(1.6)
Cash generated from operating activities	**22.8**	18.6
Interest	**(0.4)**	(0.3)
Tax	**(4.1)**	(2.2)
Capital expenditure	**(4.9)**	(3.2)
	13.4	12.9
Acquisitions	**(1.0)**	(4.0)
Share issue proceeds	**0.5**	0.1
Purchase of Employee Benefit Trust shares	**(0.7)**	(0.7)
Decrease in borrowings	**(5.0)**	(3.7)
Dividends	**(2.5)**	(2.3)
Repayment of lease liabilities	**(2.5)**	(2.3)
Increase in cash	**2.2**	-

Net debt reconciliation	**2022 £m**	2021 £m
Net debt at 1 December	**(2.0)**	(8.7)
Increase in cash	**2.2**	-
Decrease in borrowings	**5.0**	3.7
Decrease in lease liabilities	**1.2**	1.1
Paycheck Protection Program loan waiver	**-**	1.4
Exchange gains	**0.4**	0.5
Net cash/(debt) at 30 November	**6.8**	(2.0)
Net cash	**18.3**	10.2
Lease liabilities	**(11.5)**	(12.2)
Net cash/(debt) at 30 November	**6.8**	(2.0)

Generating free cash flow is key to the Group's business model. Operating cash flow of £22.8 million was generated in the year (2021: £18.6 million), with net working capital increasing by £2.7 million (2021: £0.8 million). Receivables increased by £2.0 million (2021: decrease £0.2 million) as a result of the revenue growth, with strong collections throughout the year. Working capital management supported the investment in certain inventory items, given the wide-spread supply chain dislocation and need to sure up security of supply. Inventories increased by £4.9 million (2021: £0.5 million) and payables and provisions increased by £4.2 million (2021: decrease of £0.5 million).

Provisions and contingent liabilities

The Group has £4.0 million (2021: £4.7 million) of provisions for dilapidations and performance warranties. £0.4 million of warranty provisions have been created in relation to sales made in the year. £1.1 million of warranty provisions have been released in the year, following the latest estimate of the expected costs to be incurred.

At 30 November 2022, the Group had the following advanced payment bonds (relating to monies received in advance on contracts) and performance bonds issued to customers in US dollars and Euros:

	$m	**€m**
Advanced payment bonds	-	0.7
Performance bonds	1.0	0.3
At 30 November 2022	**1.0**	**1.0**

	$m	€m
Advanced payment bonds	-	0.3
Performance bonds	2.5	0.8
At 30 November 2021	2.5	1.1

The uncalled performance bonds are expected to be called or released no later than December 2024.

Capital expenditure

Capital expenditure on property, plant and equipment was £4.9 million in the year (2021: £3.2 million), as the Group stepped up investment in capital projects with a particular emphasis on automation and productivity.

Acquisitions

On 25 February 2021, the Group purchased 100% of the share capital of Kbio. Contingent consideration paid in the 2022 year was £1.0 million. A further and final £1.0 million of consideration is contingent on Kbio meeting a profit target for the year ending 31 March 2023. This amount discounted is accrued within 'Trade and other payables' at 30 November 2022.

Retirement benefit obligations

Retirement benefit obligations measured in accordance with IAS 19 Employee Benefits were £9.8 million (2021: £12.6 million). The Group supports its defined benefit pension scheme in the UK ("The Plan"), which is closed to new members, and provides access to defined contribution schemes for its other employees. The Plan's liabilities decreased in the year to £34.1 million (2021: £49.6 million). The Plan's assets also decreased in the year to £24.5 million (2021: £37.0 million). Following a change in financial assumptions, including an increase in the discount rate, together with a loss on assets, a net of tax actuarial gain of £1.3 million (2021: gain of £1.6 million) was recognised within the statement of comprehensive income.

Cash contributions paid to The Plan were £2.1 million (2021: £2.3 million), which included a deficit recovery payment of £1.6 million (2021: £1.6 million). The triennial actuarial valuation was completed in the year based on the Plan's position at 31 March 2021. Based on the valuation, the Group has agreed to increase the annual deficit recovery payment from £1.6 million to £2.1 million, effective December 2022.

Borrowings and bank finance

At 30 November 2022, the Group had cash balances of £18.3 million (2021: £15.4 million) and borrowings of £nil (2021: £5.2 million); with net cash (excluding lease liabilities) of £18.3 million (2021: £10.2 million).

At 30 November 2022, the Group had €27.7 million/£23.9 million (2021: €21.5 million/£18.3 million) of unused credit facilities and an unutilised £2.5 million (2021: £2.5 million) overdraft facility.

Finance and treasury policy

The treasury function at Porvair is managed centrally, under Board supervision. It seeks to limit the Group's trading exposure to currency movements. The Group does not hedge against the impact of exchange rate movements on the translation of profits and losses of overseas operations.

The Group finances its operations through share capital, retained profits and, when required, bank debt. It has adequate facilities to finance its current operations and capital plans for the foreseeable future.

James Mills
Group Finance Director
27 January 2023

Consolidated income statement

For the year ended 30 November

Continuing operations	Note	2022 £'000	2021 £'000
Revenue	1,2	**172,575**	146,310
Cost of sales		**(113,597)**	(99,353)
Gross profit		**58,978**	46,957
Distribution costs		**(2,759)**	(2,391)
Administrative expenses		**(36,409)**	(28,724)
Adjusted operating profit	1,2	**20,498**	15,885
Adjustments:			
Amortisation of acquired intangible assets		**(688)**	(740)
Other acquisition-related adjustments		**-**	(98)
Impairment of assets and restructuring costs		**-**	(542)
Paycheck Protection Program		**-**	1,337
Operating profit	1,2	**19,810**	15,842
Finance costs		**(1,072)**	(1,084)
Profit before tax	1,2	**18,738**	14,758
Adjusted income tax expense		**(4,169)**	(3,210)
Adjustments:			
Tax effect of adjustments to operating profit	1	**145**	396
Income tax expense		**(4,024)**	(2,814)

	Note	2022	2021
Income tax expense		[illegible]	[illegible]
Profit for the year	1,2	**14,714**	11,944
Earnings per share (basic)	3	**32.1p**	26.0p
Earnings per share (diluted)	3	**32.0p**	26.0p
Adjusted earnings per share (basic)	3	**33.2p**	25.2p
Adjusted earnings per share (diluted)	3	**33.2p**	25.2p

Consolidated statement of comprehensive income

For the year ended 30 November

	2022 £'000	2021 £'000
Profit for the year	**14,714**	11,944
Other comprehensive income		
Items that will not be reclassified to profit and loss:		
Actuarial gain in defined benefit pension plans net of tax	**1,257**	1,600
Items that may be subsequently reclassified to profit and loss:		
Exchange gains on translation of foreign subsidiaries	**7,796**	12
Total other comprehensive income for the year	**9,053**	1,612
Total comprehensive income for the year	**23,767**	13,556

Consolidated balance sheet

As at 30 November

	Note	2022 £'000	2021 £'000
Non-current assets			
Property, plant and equipment		**24,311**	21,235
Right-of-use assets		**10,144**	11,014
Goodwill and other intangible assets		**77,900**	74,103
Deferred tax asset		**1,046**	1,821
		113,401	108,173
Current assets			
Inventories		**30,973**	24,650
Trade and other receivables		**24,471**	21,344
Derivative financial instruments		**554**	-
Cash and cash equivalents		**18,297**	15,442
		74,295	61,436
Current liabilities			
Trade and other payables		**(27,881)**	(21,702)
Current tax liabilities		**(309)**	(853)
Lease liabilities		**(2,156)**	(2,207)
Derivative financial instruments		**(319)**	(20)
Provisions	5	**(3,692)**	(4,372)
		(34,357)	(29,154)
Net current assets		**39,938**	32,282
Non-current liabilities			
Borrowings		**-**	(5,217)
Deferred tax liability		**(2,811)**	(2,425)
Retirement benefit obligations		**(9,816)**	(12,602)
Other payables		**-**	(945)
Lease liabilities		**(9,316)**	(10,024)
Provisions	5	**(328)**	(296)
		(22,271)	(31,509)
Net assets		**131,068**	108,946
Capital and reserves			
Share capital		**927**	924
Share premium account		**37,626**	37,078
Cumulative translation reserve		**15,453**	7,657
Retained earnings		**77,062**	63,287
Equity attributable to owners of the parent		**131,068**	108,946

Consolidated cash flow statement

For the year ended 30 November

	Note	2022 £'000	2021 £'000

	Note	£'000	£'000
Cash flows from operating activities			
Cash generated from operations	7	**22,798**	18,624
Interest paid		**(403)**	(305)
Tax paid		**(4,118)**	(2,215)
Net cash generated from operating activities		**18,277**	16,104
Cash flows from investing activities			
Acquisition of subsidiaries (net of cash acquired)		**(1,000)**	(3,968)
Purchase of property, plant and equipment		**(4,826)**	(3,182)
Purchase of intangible assets		**(61)**	(47)
Proceeds from sale of property, plant and equipment		**17**	9
Net cash used in investing activities		**(5,870)**	(7,188)
Cash flows from financing activities			
Proceeds from issue of ordinary shares		**551**	152
Purchase of Employee Benefit Trust shares		**(749)**	(716)
Decrease in borrowings		**(4,986)**	(3,687)
Dividends paid to shareholders	4	**(2,478)**	(2,345)
Repayments of lease liabilities		**(2,503)**	(2,292)
Net cash used in financing activities		**(10,165)**	(8,888)
Net increase in cash and cash equivalents		**2,242**	28
Exchange gains/(losses) on cash and cash equivalents		**613**	(149)
		2,855	(121)
Cash and cash equivalents at 1 December		**15,442**	15,563
Cash and cash equivalents at 30 November		**18,297**	15,442

Reconciliation of net cash flow to movement in net debt

	2022	2021
	£'000	£'000
Net debt at 1 December	**(2,006)**	(8,735)
Increase in cash and cash equivalents	**2,242**	28
Decrease in borrowings	**4,986**	3,687
Decrease in lease liabilities	**1,194**	1,147
Paycheck Protection Program loan waiver	**-**	1,337
Effects of exchange rate changes	**409**	530
Net cash/(debt) at 30 November	**6,825**	(2,006)
Net cash and bank debt	**18,297**	10,225
Lease liabilities	**(11,472)**	(12,231)
Net cash/(debt) at 30 November	**6,825**	(2,006)

Consolidated statement of changes in equity

For the year ended 30 November

	Share capital £'000	**Share premium account £'000**	**Cumulative translation reserve £'000**	**Retained earnings £'000**	**Total equity £'000**
At 1 December 2020	923	36,927	7,645	52,697	98,192
Profit for the year	-	-	-	11,944	11,944
Other comprehensive income	-	-	12	1,600	1,612
Total comprehensive income for the year	-	-	12	13,544	13,556
Purchase of own shares (held in trust)	-	-	-	(716)	(716)
Issue of ordinary share capital	1	151	-	-	152
Share-based payments charge	-	-	-	107	107
Dividends paid	-	-	-	(2,345)	(2,345)
At 30 November 2021	924	37,078	7,657	63,287	108,946
Profit for the year	-	-	-	14,714	14,714
Other comprehensive income	-	-	7,796	1,257	9,053
Total comprehensive income for the year	-	-	7,796	15,971	23,767
Purchase of own shares (held in trust)	-	-	-	(749)	(749)
Issue of ordinary share capital	3	548	-	-	551
Share-based payments charge	-	-	-	1,031	1,031
Dividends paid	-	-	-	(2,478)	(2,478)
At 30 November 2022	**927**	**37,626**	**15,453**	**77,062**	**131,068**

Notes

1. Alternative performance measures

Alternative performance measures are used by the Directors and management to monitor business performance internally and exclude certain cash and non-cash items which they believe are not reflective of the normal course of business of the Group. The Directors believe that disclosing such non-IFRS measures enables a reader to isolate and evaluate the impact of such items on results and allows for a fuller understanding of performance from year to year. Alternative performance measures may not be directly comparable with other similarly titled measures used by other companies.

Alternative revenue measures

	2022	2021	Growth
Aerospace & Industrial	**£'000**	£'000	%
Revenue at constant currency	**61,864**	54,888	13
Exchange	**2,861**	888	
Revenue as reported	**64,725**	55,776	16
Laboratory			
Underlying revenue	**52,737**	46,863	13
Acquisition	**6,639**	5,428	
Revenue at constant currency	**59,376**	52,291	14
Exchange	**3,308**	885	
Revenue as reported	**62,684**	53,176	18
Metal Melt Quality			
Revenue at constant currency	**40,236**	36,225	11
Exchange	**4,930**	1,133	
Revenue as reported	**45,166**	37,358	21
Group			
Underlying revenue	**154,837**	137,976	12
Acquisition	**6,639**	5,428	
Revenue at constant currency	**161,476**	143,404	13
Exchange	**11,099**	2,906	
Revenue as reported	**172,575**	146,310	18

Revenue at constant currency is derived from translating overseas subsidiaries results at budgeted fixed exchange rates. In 2022 and 2021, the rates used were $1.40:£1 and €1.20:£1, compared with reported rates of $1.25:£1 (2021: $1.37:£1) and €1.18:£1 (2021: €1.16:£1).

Underlying revenue is revenue at constant currency adjusted for the impact of acquisitions made in the current and prior year.

The acquisition line relates to the revenue in relation to the acquisition of Kbio, which was acquired in February 2021.

Alternative profit measures

A reconciliation of the Group's adjusted performance measures to the reported IFRS measures is presented below:

	2022			2021		
	Adjusted	**Adjustments**	**Reported**	Adjusted	Adjustments	Reported
	£'000	**£'000**	**£'000**	£'000	£'000	£'000
Operating profit	**20,498**	**(688)**	**19,810**	15,885	(43)	15,842
Finance costs	**(1,072)**	**-**	**(1,072)**	(1,084)	-	(1,084)
Profit before tax	**19,426**	**(688)**	**18,738**	14,801	(43)	14,758
Income tax expense	**(4,169)**	**145**	**(4,024)**	(3,210)	396	(2,814)
Profit for the year	**15,257**	**(543)**	**14,714**	11,591	353	11,944

An analysis of adjusting items is given below:

	2022	2021
Affecting operating profit:	**£'000**	£'000
Amortisation of acquired intangible assets	**(688)**	(740)
Other acquisition-related adjustments	**-**	(98)
Impairment of assets and restructuring costs	**-**	(542)
Paycheck Protection Program	**-**	1,337
	(688)	(43)

	(688)	(43)
Affecting tax:		
Tax effect of adjustments to operating profit	**145**	396
Total adjusting items	**(543)**	353

Adjusted operating profit excludes:

- The amortisation of intangible assets arising on acquisition of businesses of £0.7 million (2021: £0.7 million);
- Other acquisition-related costs of £nil (2021: £0.1 million in relation to the acquisition of Kbio);
- Covid-19 related impairment of assets and restructuring costs of £nil (2021: £0.5 million, principally within the Aerospace & Industrial division); and
- Monies received under the US Paycheck Protection Program of £nil (2021: £1.3 million, for proceeds received in relation to eligible costs incurred within the US operations during the covid pandemic).

The 2021 tax effect of adjustments to operating profit includes a credit in relation to eligible costs incurred in 2020, associated with the US Paycheck Protection Program and previously treated as disallowed for tax. The £1.3 million Paycheck Protection Program income in 2021 does not attract US tax. These items combined contribute to the tax credit on net adjusting items.

Return on capital employed

The Group uses two return measures to assess the return it makes on its investments:

- Return on capital employed of 15% (2021: 13%) is the tax adjusted operating profit as a percentage of the average capital employed. Capital employed is the average of the opening and closing Group net assets less the average of the opening and closing net cash (excluding lease liabilities); and

- Return on operating capital employed of 36% (2021: 31%) is calculated on the same basis except that the capital employed is adjusted to remove the average of the opening and closing goodwill and the opening and closing retirement benefit obligations to give a measure of the operating capital.

2. Segment information

The chief operating decision maker has been identified as the Board of Directors. The Board of Directors has instructed the Group's internal reporting to be based around differences in products and services, in order to assess performance and allocate resources. The key profit measure used to assess the performance of each reportable segment is adjusted operating profit/(loss). Management has determined the operating segments based on this reporting.

As at 30 November 2022, the Group is organised on a worldwide basis into three operating segments:

1) Aerospace & Industrial - principally serving the aviation, and energy and industrial markets;

2) Laboratory - principally serving the bioscience and environmental laboratory instrument and consumables market; and

3) Metal Melt Quality - principally serving the global aluminium, North American Free Trade Agreement (NAFTA) iron foundry and super-alloys markets.

Other Group operations' costs, assets and liabilities are included in the "Central" division. Central costs mainly comprise Group corporate costs, including new business development costs, some research and development costs and general financial costs. Central assets and liabilities mainly comprise Group retirement benefit obligations, tax assets and liabilities, cash and borrowings.

The segment results for the year ended 30 November 2022 are as follows:

2022	**Aerospace & Industrial**	**Laboratory**	**Metal Melt Quality**	**Central**	**Group**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Total segment revenue	64,864	64,453	45,166	-	**174,483**
Inter-segment revenue	(139)	(1,769)	-	-	**(1,908)**

Revenue	**64,725**	**62,684**	**45,166**	**-**	**172,575**
Adjusted operating profit/(loss)	**7,200**	**10,321**	**5,701**	**(2,724)**	**20,498**
Amortisation of acquired intangible assets	(382)	(306)	-	-	**(688)**
Operating profit/(loss)	**6,818**	**10,015**	**5,701**	**(2,724)**	**19,810**
Finance costs	-	-	-	(1,072)	**(1,072)**
Profit/(loss) before tax	**6,818**	**10,015**	**5,701**	**(3,796)**	**18,738**

The segment results for the year ended 30 November 2021 are as follows:

2021	**Aerospace & Industrial**	**Laboratory**	**Metal Melt Quality**	**Central**	**Group**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Total segment revenue	55,918	54,965	37,358	-	148,241
Inter-segment revenue	(142)	(1,789)	-	-	(1,931)
Revenue	55,776	53,176	37,358	-	146,310
Adjusted operating profit/(loss)	4,399	9,649	5,074	(3,237)	15,885
Amortisation of acquired intangible assets	(396)	(344)	-	-	(740)
Other acquisition-related adjustments	-	-	-	(98)	(98)
Impairment of assets and restructuring costs	(542)	-	-	-	(542)
Paycheck Protection Program	407	295	635	-	1,337
Operating profit/(loss)	3,868	9,600	5,709	(3,335)	15,842
Finance costs	-	-	-	(1,084)	(1,084)
Profit/(loss) before tax	3,868	9,600	5,709	(4,419)	14,758

The segment assets and liabilities at 30 November 2022 are as follows:

2022	**Aerospace & Industrial**	**Laboratory**	**Metal Melt Quality**	**Central**	**Group**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Segmental assets	68,033	63,324	36,063	1,979	**169,399**
Cash and cash equivalents	-	-	-	18,297	**18,297**
Total assets	**68,033**	**63,324**	**36,063**	**20,276**	**187,696**
Segmental liabilities	(21,640)	(13,168)	(6,893)	(5,111)	**(46,812)**
Retirement benefit obligations	-	-	-	(9,816)	**(9,816)**
Total liabilities	**(21,640)**	**(13,168)**	**(6,893)**	**(14,927)**	**(56,628)**

The segment assets and liabilities at 30 November 2021 are as follows:

2021	**Aerospace & Industrial**	**Laboratory**	**Metal Melt Quality**	**Central**	**Group**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Segmental assets	70,038	51,720	30,087	2,322	154,167
Cash and cash equivalents	-	-	-	15,442	15,442
Total assets	70,038	51,720	30,087	17,764	169,609
Segmental liabilities	(19,242)	(12,675)	(5,747)	(5,180)	(42,844)
Retirement benefit obligations	-	-	-	(12,602)	(12,602)
Borrowings	-	-	-	(5,217)	(5,217)
Total liabilities	(19,242)	(12,675)	(5,747)	(22,999)	(60,663)

Geographical analysis

	2022		2021	
Revenue	**By destination**	**By origin**	By destination	By origin
	£'000	**£'000**	£'000	£'000
United Kingdom	**17,715**	**50,018**	14,886	42,652
Continental Europe	**35,898**	**21,695**	31,534	25,873
United States of America	**80,537**	**96,370**	64,673	71,695
Other NAFTA	**3,592**	**-**	2,647	-
South America	**2,409**	**-**	2,642	-
Asia	**30,785**	**4,492**	28,688	6,090
Africa	**1,639**	**-**	1,240	-
	172,575	**172,575**	146,310	146,310

3. Earnings per share (EPS)

As reported	2022 Earnings £'000	2022 Weighted average number of shares	2022 Per share Pence	2021 Earnings £'000	2021 Weighted average number of shares	2021 Per share Pence
Profit for the year - attributable to owners of the parent	**14,714**			11,944		
Shares in issue		**46,211,979**			46,170,094	
Shares owned by the Employee Benefit Trust		**(319,288)**			(198,822)	
Basic EPS	**14,714**	**45,892,691**	**32.1**	11,944	45,971,272	26.0
Dilutive share options outstanding	**-**	**18,598**	**(0.1)**	-	38,370	-
Diluted EPS	**14,714**	**45,911,289**	**32.0**	11,944	46,009,642	26.0

In addition to the above, the Group also calculates an earnings per share based on adjusted profit as the Board believes this to be a better measure to judge the progress of the Group, as discussed in note 1.

Adjusted	2022 Earnings £'000	2022 Weighted average number of shares	2022 Per share Pence	2021 Earnings £'000	2021 Weighted average number of shares	2021 Per share Pence
Profit for the year - attributable to owners of the parent	**14,714**			11,944		
Adjusting items (note 1)	**543**			(353)		
Adjusted profit - attributable to owners of the parent	**15,257**			11,591		
Adjusted basic EPS	**15,257**	**45,892,691**	**33.2**	11,591	45,971,272	25.2
Adjusted diluted EPS	**15,257**	**45,911,289**	**33.2**	11,591	46,009,642	25.2

4. Dividends per share

	2022 Per share Pence	2022 £'000	2021 Per share Pence	2021 £'000
Final dividend paid - in respect of prior year	**3.5**	**1,606**	3.3	1,517
Interim dividend paid - in respect of current year	**1.9**	**872**	1.8	828
	5.4	**2,478**	5.1	2,345

The Directors recommend the payment of a final dividend of 3.8 pence per share (2021: 3.5 pence per share) to be paid on 7 June 2023 to shareholders on the register on 5 May 2023; the ex-dividend date is 4 May 2023. This makes a total dividend for the year of 5.7 pence per share (2021: 5.3 pence per share).

5. Provisions

	Dilapidations £'000	Warranty £'000	Total £'000
At 30 November 2021	296	4,372	4,668
Additional charge in the year	-	439	439
Utilisation of provision	-	(40)	(40)
Release of provision	-	(1,120)	(1,120)
Unwinding of discount	32	-	32
Exchange	-	41	41
At 30 November 2022	**328**	**3,692**	**4,020**

Provisions arise from potential claims on major contracts, sale warranties, and discounted dilapidations for leased property. Matters that could affect the timing, quantum and extent to which provisions are utilised or released, include the impact of any remedial work, claims against outstanding performance bonds, and the demonstrated life of the filtration equipment installed. The outflow of economic benefits in relation to warranty provisions is expected to be within one year, whilst the outflow on dilapidations is expected to be greater than one year.

Analysis of total provisions	**2022** **£'000**	2021 £'000
Current	**3,692**	4,372
Non-current	**328**	296
Net book value at 30 November	**4,020**	4,668

6. Contingent liabilities

At 30 November 2022, the Group had the following advanced payment bonds (relating to monies received in advance on contracts) and performance bonds:

	$'000	**€'000**
Advanced payment bonds	**-**	657
Performance bonds	956	353
At 30 November 2022	**956**	**1,010**

	$'000	€'000
Advanced payment bonds	-	320
Performance bonds	2,549	811
At 30 November 2021	2,549	1,131

$1.0 million (2021: $2.5 million) of the performance bonds relate to the contracts for filtration systems provided for gasification projects. These projects are being commissioned, a process which is taking several years. The Group has provided its best estimate of the amount of any potential loss arising from rectification and claims arising on these contracts within the £3.7 million warranty provisions disclosed in note 5. The uncalled performance bonds are expected to be called or released no later than December 2024.

7. Cash generated from operations

	2022 **£'000**	2021 £'000
Operating profit	**19,810**	15,842
Adjustments for:		
Payment Protection Program loan waiver	**-**	(1,337)
Fair value movement of derivatives through profit and loss	**(255)**	43
Share-based payments	**1,057**	247
Depreciation of property, plant and equipment and amortisation of intangibles	**3,845**	3,662
Depreciation of right-of-use assets	**2,212**	2,138
Impairment of property, plant and equipment	**186**	195
Impairment of right-of-use assets	**14**	150
Loss on disposal of property, plant and equipment	**-**	68
Operating cash flows before movement in working capital	**26,869**	21,008
Increase in inventories	**(4,919)**	(476)
(Increase)/decrease in trade and other receivables	**(2,044)**	215
Increase/(decrease) in trade and other payables	**5,032**	(256)
Decrease in provisions	**(783)**	(282)
Increase in working capital	**(2,714)**	(799)
Post-employment benefits (net cash movement)	**(1,357)**	(1,585)
Cash generated from operations	**22,798**	18,624

8. Related parties

There were no related party transactions in the year ended 30 November 2022 other than Directors' compensation.

9. Basis of preparation

The results for the year ended 30 November 2022 have been prepared in accordance with The Companies Act 2006 and UK-adopted International Accounting Standards. 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 2022, 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 2021, upon which the auditors reported without qualification, have been delivered to the Registrar of Companies.

10. Annual general meeting

The Company's Annual General Meeting will be held at 11.00 a.m. on Tuesday 18 April 2023 at the offices of Buchanan Communications, 107 Cheapside, London, EC2V 6DN.

11. Responsibility Statement

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

- the financial statements, on which this announcement is based, have been prepared in accordance with The Companies Act 2006 and UK-adopted International Accounting Standards, 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 2021. Ami Sharma joined the Board on 1 January 2023. A list of current Directors is maintained on the Porvair plc website, www.porvair.com. Copies of full accounts will be sent to shareholders in March 2023. Additional copies will be available from www.porvair.com.