



VICTREX plc ANNUAL REPORT & ACCOUNTS 2003



PART OF EVERYDAY LIFE

VICTREX PLC IS AN INNOVATIVE, WORLD-LEADING, HIGH PERFORMANCE POLYMERS GROUP AND MANUFACTURER OF VICTREX® PEEK™ POLYMER.

It has manufacturing plants and research facilities in the UK and a global network of sales and distribution centres serving customers based in over 30 countries.

VICTREX® PEEK™ is a high performance, easy-to-process, thermoplastic with a unique combination of properties including exceptional chemical, wear, electrical and temperature resistance combined with dimensional stability.

These properties enable engineers to deliver cost effective and improved components across a broad range of markets in everyday life applications such as heating and cooling systems, coffee machines, cars, microchip manufacture, aeroplanes, mobile phones and surgical instruments.

contents

Highlights	2	Balance Sheets	28
Chairman's Statement	3	Consolidated Cash Flow Statement	29
Operating & Financial Review	5	Consolidated Statement of Total Recognised Gains and Losses	30
The Board	13	Reconciliations of Movements in Shareholders' Funds	30
Directors' Report	14	Notes to the Financial Statements	31
Corporate Governance	15	Five Year Financial Summary	48
Report on Directors' Remuneration	19	Notice of Annual General Meeting	49
Safety, Health & Environment Report	25	Financial Calendar	53
Independent Auditors' Report	26		
Consolidated Profit and Loss Account	27		



highlights

Volume up 23%

Turnover up 21%

Profit before taxation up 18%

Dividend per share up 7%

chairman's statement

I am pleased to report a year of continued progress, with good sales and profits growth and further success in developing new product applications.

RESULTS AND DIVIDEND

Profit before tax grew by 18.5% to a record level of £22.6m (2002: £19.0m) on turnover of £71.5m (2002: £59.1m). This reflected strong first half sales volume which was sustained in the second half. Cash generation of £7.7m for the year resulted in a net cash position at the year end of £6.0m (2002: net debt £1.7m) which leaves us well placed to support the future growth of the business.

In recognition of this continued progress, the Directors have recommended a final dividend of 5.3p per ordinary share, making a total of 7.5p per ordinary share for the year, an increase of 7.1% over last year. This represents dividend cover of 2.5 times.

PROGRESS

The future growth of the business is underpinned by our ability to develop new applications and market areas for our polymers. This is why we are undertaking the programme of additional investment in sales and marketing and product research and development as announced in February. The particular areas of focus are Asia-Pacific (where we see significant growth potential), the delivery of a global approach to our sales channels, and faster development of new products and applications worldwide.

It is, therefore, encouraging to note a significant increase in the number of new applications coming on stream. During the year, we commercialised 433 new applications compared with 249 for the previous year. In addition, Invibio®, our medical implants materials business, has again performed ahead of expectations with further expansion into new market areas.

PEOPLE

The results we have achieved this year are due to the efforts and dedication of our employees and I would like to congratulate them on the success they have achieved.

I would also like to welcome Jonathan Azis, who joined the Board in September as a non-executive Director. He is adding further breadth and perspective to the Board's deliberations and will enhance our non-executives' ability to provide a wide range of background and experience for the Company to draw upon.

OUTLOOK

Since the year end, Asia-Pacific has shown further strong growth as the result of our greater focus on this region. Overall, sales volume for the first two months of the new financial year was in line with our expectations. Accordingly, we remain confident in the underlying growth potential for Victrex.

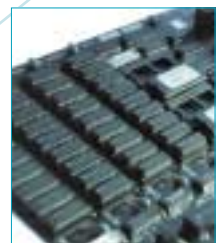
Peter Warry

Chairman

8 December 2003

VICTREX® PEEK™ can be found in everyday life applications around the world and across a broad range of markets.

- ◆ In transport, VICTREX® PEEK™ offers improved performance and reliability in engines and transmissions and keeps vehicle braking systems operating efficiently.
- ◆ In industry, VICTREX® PEEK™ replaces metals for compressor plates, seals, pumps and pins used in gas, fluid transport, air conditioning systems and food processing equipment.
- ◆ In electronics, VICTREX® PEEK™ is instrumental in the manufacture of microchips for use in mobile phones, computers and peripherals.
- ◆ In Medical, VICTREX® PEEK™ reaches the hands of doctors and dentists through instruments designed for repeated use to carry out the latest surgical procedures.



PART OF EVERYDAY LIFE

operating & financial review

RESULTS

Turnover for the year was £71.5m (2002: £59.1m). Gross profit increased by 21.3% to £39.4m (2002: £32.5m) representing 55.1% of turnover (2002: 54.9%).

As forecast, sales, marketing and administrative expenses increased to £16.8m (2002: £13.0m) as a result of our programme of additional investment in product development and marketing, together with higher insurance costs and increased staff bonuses.

Earnings before interest, tax, depreciation and amortisation amounted to £27.2m (2002: £23.3m) representing 38.1% of turnover (2002: 39.4%). Compared with the previous year, exchange rates have had an adverse impact of £1.6m on profit due to a weaker Dollar and Yen, partially offset by a stronger Euro.

Net interest costs were reduced to £0.3m (2002: £0.5m) resulting in net interest cover of 73 times. Profit before tax was £22.6m (2002: £19.0m) up 18.5% and basic earnings per share were up 17.9% at 19.1p (2002: 16.2p). The overall effective tax rate (including deferred tax) remained at 32.5%.

CASH FLOW

Cash flow from operating activities increased to £26.1m (2002: £17.1m) primarily as a result of improved trading and a working capital increase of only £0.8m (2002: £6.1m).

Capital expenditure payments amounted to £6.5m (2002: £8.8m) and were mainly related to the capacity uprate. Taxation paid was £6.2m (2002: £5.2m) as a result of increased profits.

At the year end, the Group was ungeared with net cash of £6.0m (2002: net debt £1.7m), which leaves us well placed to support the future growth of the business. The Group has a committed bank facility of £40m which expires in September 2008, all of which was undrawn at the year end.

TRANSPORTATION



VICTREX® PEEK™ delivers an excellent combination of properties that make it the material of choice in a wide range of transportation applications. In the automotive industry, increased performance demands such as higher operating temperatures and size reduction continue to drive increased usage of VICTREX® PEEK™.

VICTREX® PEEK™ PERFORMANCE BENEFITS:

- ◆ Increased design flexibility
- ◆ Excellent fatigue properties
- ◆ Enhanced dry and lubricated surface interaction
- ◆ Reduced weight and extended component service life
- ◆ Retained mechanical properties close to its melting temperature
- ◆ Outstanding resistance to chemicals, solvents and fuels

Distributor Gear

When the performance engine industry needed a distributor gear that outperformed bronze, VICTREX® PEEK™ was used for reduced wear, lighter weight and lower manufacturing costs.



Thrust Washers and Seals

These components represent possibly the most demanding in-engine automotive application for VICTREX® PEEK™ where strength and wear resistance are essential, even at elevated temperatures.



operating & financial review - continued

SALES

Total sales volume increased by 22.9% to 1,481 tonnes (2002: 1,205 tonnes) with second half volume of 738 tonnes (2002: 648 tonnes) compared with 743 tonnes (2002: 557 tonnes) for the first half. This reflects strong and sustained volume growth since the first half of the previous year.

Of our principal market segments, transport sales volume was up 17.2% on 2002 at 484 tonnes which was principally due to increased automotive sales in Europe and Asia-Pacific. Second half volume was the same as the first half at 242 tonnes.

Industrial sales volume at 435 tonnes, showed an increase of 28.2% over the previous year mainly as a result of increased demand for machinery, down hole, and compressor applications in Europe and the United States. Sales volume in the second half was 218 tonnes, in line with the first half at 217 tonnes.

Electronics sales volume was 351 tonnes, an increase of 24.4% over 2002. Second half sales at 181 tonnes were marginally up on the first half of 170 tonnes, largely due to further increases in semiconductor sales, building on the recovery we saw in the first half.

Regionally, Europe achieved a record sales volume of 791 tonnes which was 21.7% up on 2002, with growth across all market segments. Second half sales volume (398 tonnes) was slightly ahead of the strong first half performance (393 tonnes).

United States volume increased by 20.7% to 496 tonnes, largely due to increased demand in the industrial and electronics segments. Sales volume for the second half (243 tonnes) was slightly lower than the first half (253 tonnes) because of some softness in demand during the summer months.

Asia-Pacific sales volume grew by 34.7% reaching a record level of 194 tonnes. In addition to growth in the electronics (which remains the largest market segment in this region) and industrial segments, transport experienced a step change in volume achieved due to increased automotive sales. Second half sales volume (97 tonnes) was identical to the first half.

INDUSTRIAL

**Food Pump Seal**

A critical component used in the manufacture of peanut butter, a thick and highly abrasive food. The use of **VICTREX® PEEK™** has minimised downtime resulting from seal failure and allowed the user to meet its planned maintenance schedule.

**Conveyor Belt Chains**

Replacement of stainless steel chains with **VICTREX® PEEK™** has removed the requirement for lubrication and also reduces the weight by two thirds. This allows for motor downsizing that saves power and reduces operating noise.

A wide range of applications for **VICTREX® PEEK™** in the industrial, chemical and food processing industries reflect the excellent physical properties and processability of the material. **VICTREX® PEEK™** outperforms metals and other materials resulting in longer service life and reduced down time.

VICTREX® PEEK™ PERFORMANCE BENEFITS:

- ◆ Dimensional and thermal stability
- ◆ High performance tribological properties
- ◆ Excellent physical and dielectric strength
- ◆ Self-lubricating properties
- ◆ Extended service life
- ◆ Reduced downtime and costs
- ◆ Excellent chemical and corrosion resistance
- ◆ Outstanding mechanical performance in extreme heat & pressure conditions



operating & financial review - continued

BUSINESS DEVELOPMENT

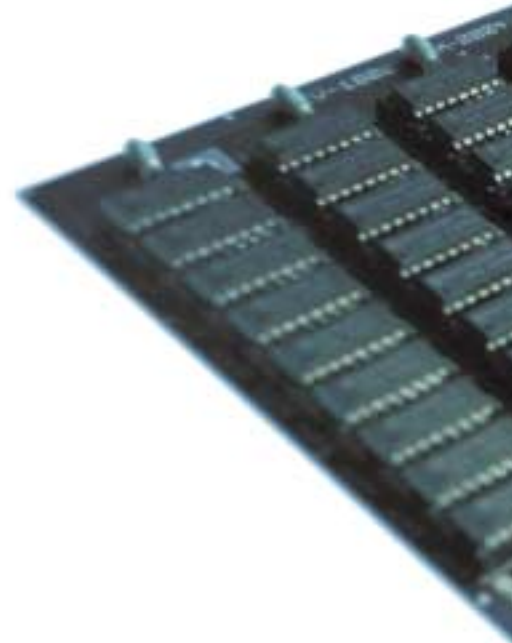
The future growth of the business is underpinned by our ability to develop new applications and market areas for our polymers. This is why we are undertaking the programme of additional investment in sales and marketing and product research and development as announced in February. The particular areas of focus are Asia-Pacific (where we see significant growth potential), the delivery of a global approach to our sales channels and faster development of new products and applications worldwide.

We have now completed the necessary organisational changes and upgraded our communications network and IT infrastructure as planned.

It is, therefore, encouraging to note a significant increase in the rate at which we commercialise developments. During the year we commercialised 433 new applications (2002: 249) having an estimated mature annualised volume ("MAV") of 470 tonnes (2002: 210 tonnes). We have also continued to identify and develop new potential applications which will enable us to maintain growth in the medium term. This faster throughput has increased the productivity of the development pipeline, which measures the future potential of all of the specific development applications we are working on with end users. At the year end, the pipeline contained 1,508 developments (2002: 1,488) with an estimated MAV of 2,081 tonnes (2002: 2,316 tonnes).

Technical development of the Victrex proprietary ionomer is continuing under our fuel cell membrane alliance with Ballard Power Systems Inc.

Invibio® continues to perform ahead of expectations and entered into twenty four additional long term agreements with implantable medical device manufacturers during the year. Markets covered by these new agreements include orthopaedic, cardiovascular and drug delivery. Currently, more than half of our customers have had at least one device incorporating PEEK-OPTIMA® cleared by regulatory bodies.



The combination of physical properties of **VICTREX® PEEK™** delivers leading edge application development to the electronics and semiconductor industry. It is widely used in semiconductor fabrication. In electronics, due to its high temperature resistance, **VICTREX® PEEK™** can withstand the rigours of printed circuit board processing techniques, including the lead free solder process which can often exceed 250°C. Accordingly, it is being used increasingly as an insulating housing for components.

VICTREX® PEEK™ PERFORMANCE BENEFITS:

- ◆ Continuous use temperature up to 260°C
- ◆ Ease of processing
- ◆ Long-term wear and friction resistance
- ◆ Extremely low levels of outgassing, ionic extractables and wear particles
- ◆ Excellent dimensional stability over a wide temperature range
- ◆ High tensile strength and tensile modulus



Semiconductor Wafer Carrier

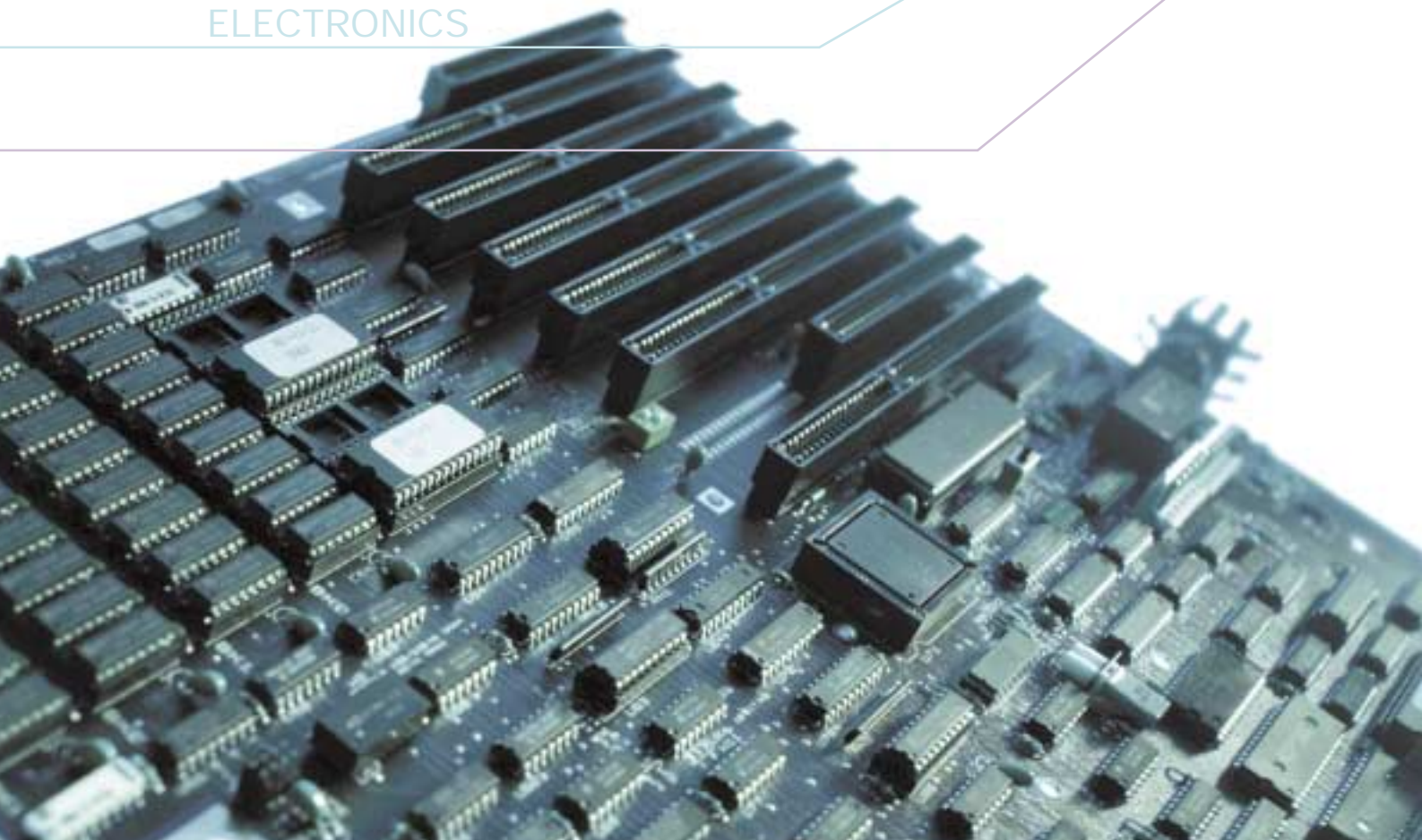
VICTREX® PEEK™ is the material of choice for several key components in wafer carriers, particularly where the wafer touches the carrier. The carriers are used to transport silicon wafers between different process tools in a microchip fabrication plant.



Electrodynamic Loudspeakers

The introduction of **VICTREX® PEEK™** into components for ultra high yield speaker systems has allowed improved power capacity. In the 1,000 watt speakers the majority of the power delivered by the amplifier is dissipated as heat. **VICTREX® PEEK™** provides the necessary high temperature resistance together with the required strength and fatigue resistance.

ELECTRONICS



operating & financial review - continued

SUPPLY CHAIN

The supply chain can currently support 2,300 tonnes per annum of VICTREX® PEEK™ sales which remains sufficient for our short term needs. We have now completed the uprate of our polymer plant to 2,800 tonnes. The uprate of the BDF supply chain is also largely complete but will require the implementation of some minor capital projects and processing improvements to support this increased polymer capacity.

PEOPLE

The achievements of the past year in implementing an increasingly global approach to our business and providing the necessary infrastructure and supply chain are largely due to the efforts of our employees. I would like to thank them again for their dedication and efforts in making this a successful year.

David Hummel
Chief Executive
8 December 2003



IMPLANTS

MEDICAL

IMPLANTS



PEEK-**OPTIMA**[®]

Invibio[®] provides a range of biomaterial solutions for the implantable medical device market, based around our polymer, **PEEK-OPTIMA**[®]. Medical devices comprising **PEEK-OPTIMA**[®] have been cleared in the US by the FDA and CE marked in Europe and are being developed for a broad range of implantable applications.

PEEK-OPTIMA[®] PERFORMANCE BENEFITS:

- ◆ **Biocompatible**
- ◆ **Available to an agreed specification under a long-term supply agreement**
- ◆ **Naturally radiolucent and non-magnetic for ease of imaging**
- ◆ **Bone like flexibility**
- ◆ **Available in a range of forms to meet customer processing needs**



Spiked Washer

PEEK-OPTIMA[®] polymer has enabled the design of the spiked washer, an implantable device used to reattach avulsed ligaments, to be streamlined thereby eliminating the need for a metallic supporting ring that was previously used, whilst reducing tissue abrasion and providing for improved anatomical fit to give optimum fixation.

MEDICAL

Medical industry designers and manufacturers are under constant pressure to increase product performance of non-implantable components while reducing overall system costs. **VICTREX**[®] **PEEK**[™] polymer enables engineers to replace materials such as glass, stainless steel, titanium and aluminium for surgical and dental instruments.

VICTREX[®] PEEK[™] PERFORMANCE BENEFITS:

- ◆ **High strength**
- ◆ **Inherent purity**
- ◆ **Chemical resistance**
- ◆ **Resistant to repeated sterilization cycles**
- ◆ **Impact and wear resistance**
- ◆ **Processing and design flexibility**



Sterilisation System for Files

The resistance of **VICTREX**[®] **PEEK**[™] to repeated sterilisation cycles, combined with its inherent creep resistance ensures that this box used for storing dental files can be cleaned and sterilised without distortion even after 1,000 cycles.

the board

NON-EXECUTIVE DIRECTORS



PETER WARRY (54)
MA CEng FIEE FIMechE FCMA
*Non-executive Chairman * † #*

Appointed Chairman in 1999. Chairman of the Nominations Committee. Currently a non-executive Director of Kier Group plc, BSS Group PLC, Thames Water Utilities Limited and Chairman of the Particle Physics and Astronomy Research Council. He was previously the Chief Executive of Nuclear Electric Limited and a director of British Energy plc.



ANITA FREW (46)
BA MPhil
*Non-executive Director * † #*

Appointed in 2000. Chairman of the Remuneration Committee and Senior Independent Director. Currently a non-executive Director of NXT Plc, Northumbrian Water Limited and Securities Trust of Scotland plc. Previously she was an executive Director of Abbott Mead Vickers PLC. Prior to joining Abbott Mead Vickers, she was Director of Corporate Development at WPP Group Plc and Head of UK Equity Investment at Scottish Provident.



CHARLES IRVING-SWIFT (49)
BA MBA
*Non-executive Director * † #*

Appointed in 2002. Chairman of the Audit Committee. Currently Managing Director of Glacier Vandervell Bearings, a global division of Dana Corporation, the US automotive component supplier. He has 25 years experience in the automotive industry, including 14 years in general management and 4 years in corporate planning. This has entailed international assignments in the US, France and Germany.



JONATHAN AZIS (46)
MA Solicitor
*Non-executive Director * † #*

Appointed in September 2003. Currently Chairman of Isotron PLC and a Director of Hanson Capital Limited. A Solicitor, he was previously an executive Director and Company Secretary of Hanson PLC.

EXECUTIVE DIRECTORS



DAVID HUMMEL (45)
BSc
*Chief Executive **

Appointed in 1993. Formerly with Diamond Shamrock, GE Plastics and ICI, assuming responsibility for PEEK™ worldwide in 1992.



MICHAEL PEACOCK (45)
BA ACA
Finance Director

Appointed in 2000. Formerly with Barclays de Zoete Wedd's corporate finance department before moving into industry as a Finance Director, most recently with Viva! Health and Leisure Clubs Limited.



BLAIR SOUDER (40)
BCEng MBA
Commercial Director

Appointed in 2002. Formerly with GE Plastics in a number of senior management positions, most recently as Global Marketing Director for Emerging Markets.



TIM WALKER (55)
BSc PhD CChem FRSC
Production & Technical Director

Appointed in 1999. Formerly with ICI where he held senior appointments in R&D and Operations, most recently as Manufacturing General Manager for the Dulux Paints business.

DIRECTORS' REPORT

The Directors present their Annual Report and Accounts for the year ended 30 September 2003.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The Group's principal activity is the manufacture and sale of high performance materials.

A review of the Group's business during the financial year and its likely development is given in the Chairman's Statement on page 3 and in the Operating and Financial Review on page 5.

RESULTS AND DIVIDENDS

Group profit after tax for the year was £15.2m (2002: £12.9m).

The Directors recommend the payment of a final dividend of 5.3p per share, on 3 March 2004, to all shareholders on the register on 6 February 2004. This makes a total dividend of 7.5p per share for the year (2002: 7.0p per share), leaving retained profits of £9.2m (2002: £7.3m) to be transferred to reserves.

SHARE CAPITAL

During the year 566,437 shares were issued in respect of options exercised under employee share schemes, as summarised in note 20 to the financial statements.

DIRECTORS

Jonathan Azis was appointed to the Board on 22 September 2003.

Anthony Clinch retired from the Board on 3 October 2002.

Details of the Directors of the Company are given opposite. Details of Directors' interests in shares are provided in the Report on Directors' Remuneration on page 19.

MAJOR INTERESTS IN SHARES

The Company has been notified of the following interests in 3% or more of its issued share capital as at 5 December 2003.

	Number of ordinary shares	
Fidelity International Limited	3,233,321	4.03%
The AEGON UK plc Group	3,080,472	3.84%
Legal & General Group Plc	2,624,988	3.27%

DONATIONS

The Group made charitable donations of £2,896 (2002: £2,396) during the year. No political donations were made.

CREDITOR PAYMENT POLICY

The Group does not follow any standard code on payment practice. Terms and conditions are agreed with each supplier as appropriate. The Group has trade creditors outstanding at the year end representing 31 days (2002: 28 days) of purchases. The Company does not have any external trade creditors.

EQUAL OPPORTUNITY

The Group is committed to a policy of equal treatment of all employees and applicants and requires all employees, of whatever grade or authority, to abide by this general principle.

EMPLOYEE INVOLVEMENT

The Group places considerable emphasis on the involvement of its employees and has continued its practice of keeping them informed on matters relating to the performance of the Group or relating directly to them as employees, either formally through the Staff Committee, or informally via newsletters and the Group intranet to which all employees worldwide have access.

AUDITOR

A resolution proposing the reappointment of KPMG Audit plc as Auditor of the Company will be put to the Annual General Meeting.

By order of the Board

Michael Peacock
Company Secretary
8 December 2003

CORPORATE GOVERNANCE

The Directors have noted the new Combined Code on Corporate Governance issued in July 2003 (the "new Code") and have implemented procedures to move towards compliance with its requirements. The Directors first intend to report on compliance with the new Code in respect of the year ending 30 September 2004.

The Directors have reviewed the Group's compliance with the Code of Best Practice as set out in section 1 of the Combined Code appended to the Listing Rules of the Financial Services Authority (the "Code") and confirm that the Group has complied with the Code throughout the year as follows:

THE BOARD

The Board is responsible for the Group's strategic development, monitoring achievement of its business objectives and maintaining a system of effective corporate governance, which includes the review of health, safety, environmental, social and ethical matters.

The Board comprises a non-executive Chairman, three other non-executive Directors and four executive Directors. With the exception of Anthony Clinch (who retired on 3 October 2002) and Jonathan Azis (who was appointed on 22 September 2003), all of the Directors served throughout the year. The offices of Chairman and Chief Executive are separate and clearly distinct. The division of their responsibilities is set out in writing and has been agreed by the Board. There is no Deputy Chairman.

The non-executive Directors (including the Chairman), are all considered by the Board to be independent of the management and free from any business or other relationship that could materially interfere with the exercise of their independent judgement. Following the retirement of Anthony Clinch, Anita Frew was appointed Senior Independent Director.

The Board has a clearly documented schedule of matters reserved for its decision, including approval of the Group's strategy, the annual budget, material capital and revenue contracts, material contracts not in the ordinary course of business, customer credit limits above certain levels, major investments and disposals and entering into material strategic alliances, joint ventures and partnerships. The Board delegates day-to-day and business management control to the executive Directors.

The Board receives management information and reports on all strategic and significant operational matters on a timely basis. Senior executives also attend Board meetings as appropriate. Site visits and briefings by operational management to enhance the Board's understanding of the business take place regularly.

Directors can take independent professional advice and training where necessary at the Company's expense and have access to the services of the Company Secretary whose appointment is a Board matter and who is responsible for ensuring that Board procedures and all applicable rules and regulations are followed. Appropriate levels of insurance cover are obtained for all Directors and Officers of the Company.

The Board met formally eight times during the year. With the exception of Charles Irving-Swift, who was unable to attend two meetings, and Anita Frew and Blair Souder, who were unable to attend one meeting, there was full attendance at all meetings. During the year, the Chairman met with the other non-executive Directors without the executive Directors present on three occasions.

The Board has delegated certain responsibilities to standing Committees, which report back to the Board on the basis of clearly defined terms of reference. The membership of each committee solely comprises all of the non-executive Directors, with the exception of the Nominations Committee, where the Chief Executive is also a member.

The terms of reference of the Committees have been reviewed and revised following the publication of the new Code and are available, on request, from the Registered Office of the Company.

A formal review of Board and Board Committee performance is carried out annually. The Chairman's performance is reviewed by the other non-executive Directors led by the Senior Independent Director and takes into account the views of the executive Directors. The other non-executive Directors' performance is evaluated by the Chairman in consultation with the executive Directors. Executive Directors' performance is reviewed by the Remuneration Committee in conjunction with the Chief Executive, except in the case of his own performance review.

NOMINATIONS COMMITTEE

(Chairman – Peter Warry)

The Nominations Committee is responsible for regularly reviewing the structure, size and composition of the Board and identifying and recommending appropriate candidates for membership of the Board when vacancies arise. In considering an appointment the Nominations Committee evaluates the balance of skills, knowledge and experience of the Board and prepares a description of the role and capabilities required for a particular appointment. External search consultants are then used to identify appropriate candidates.

The Nominations Committee is also responsible for annually reviewing the time required from each non-executive Director. The Nominations Committee met three times during the year and there was full attendance at all meetings.

Based on recommendations from the Nominations Committee, Directors submit themselves for re-election at the Annual General Meeting ("AGM") following their appointment and thereafter by rotation, at least once every three years.

REMUNERATION COMMITTEE

(Chairman – Anita Frew)

The Remuneration Committee is responsible for reviewing and recommending the framework and policy for remuneration of the Chairman, executive Directors and senior executives, which the Board as a whole is responsible for approving. Once approved, the Remuneration Committee is responsible for evaluating the performance and determining specific remuneration packages for the Chairman and each executive Director. The Committee also monitors the level and structure of remuneration for senior executives. The Chairman and executive Directors are responsible for the agreement of non-executive Directors' remuneration.

The Remuneration Committee met six times during the year and, with the exception of Charles Irving-Swift, who was unable to attend one meeting there was full attendance at all meetings.

AUDIT COMMITTEE

(Chairman – Charles Irving-Swift)

The Audit Committee is responsible for assisting the Board with its responsibilities in respect of external financial reporting. This includes reviewing the Company's financial statements, preliminary announcements and any formal announcements relating to financial performance, or other statements containing financial information, before submission to the Board for endorsement.

It is also responsible for overseeing all matters associated with the appointment, terms, remuneration and performance of the external auditor and for reviewing the scope and results of the audit and its cost effectiveness. The Committee reviews annually the independence and objectivity of the external auditors taking into account the non-audit services provided by them. The Committee achieves this through guidelines governing the review process and implementation of a detailed policy regarding the provision of non-audit services which form part of its terms of reference.

The Audit Committee met three times during the year and there was full attendance at all meetings. Only Committee members are entitled to attend a meeting. However, the Finance Director, the Financial Controller and the external audit engagement partner are normally invited to attend meetings. Others are also invited to attend as appropriate. A section of at least one meeting takes place without management present.

RELATIONS WITH SHAREHOLDERS

The Company is always ready, where practicable, to enter into dialogue with institutional shareholders to promote a mutual understanding of objectives. Institutional investor relations activity is normally concentrated in the periods following the announcement of the interim and final results. More broadly based presentations and site visits are arranged when there is a sufficient demand to make it cost effective. The AGM provides the Board with an opportunity to meet informally and communicate directly with private investors. Proxy votes lodged on each AGM resolution are announced.

CORPORATE GOVERNANCE continued

To ensure that the Board, particularly the non-executive Directors, understand the views of major shareholders, the Company's brokers provide a summary of feedback from the meetings following the announcement of the interim and final results. The Board is also regularly provided with summaries of analysts' views on the Company. In addition the Chairman attends analyst briefings following results announcements and is available to meet institutional shareholders. The Senior Independent Director and other non-executive Directors will attend meetings with major shareholders if requested.

INTERNAL CONTROL

The Group has complied with the Code provisions on internal control by operating throughout the year ended 30 September 2003 (and up to the date of approval of this annual report) those procedures necessary to implement the recommendations of the Turnbull Committee and by reporting in accordance with these recommendations. The Board is ultimately responsible for the Group's system of internal control (which covers all controls including: financial, operational, compliance and risk management) and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss.

CONTROL ENVIRONMENT

The Group maintains a clearly defined and well established control environment. The Group's strategy is established and periodically reviewed by the Board and key projects are considered in this context. The management of the Group is delegated to the Chief Executive and his fellow executive Directors. Authority is delegated to senior executives as appropriate and the organisational requirements of a rapidly developing business are regularly reviewed.

The Group has a comprehensive process of annual budgeting, detailed monthly management reporting and regular forecasting linked to the Group's business objectives.

The Directors have also reviewed the need for an internal audit function and have concluded that there is no requirement at present.

The Group has a clear and ongoing process for identifying, evaluating and managing significant risks, which is managed by the Risk Management Committee.

RISK MANAGEMENT COMMITTEE

The Risk Management Committee, chaired by the Production and Technical Director, comprising two further executive Directors and senior executives from the operational, commercial and finance functions, is responsible for ensuring that all risks facing the Group are reduced to an acceptable level.

This is achieved by an ongoing review which includes identifying all risks faced by the Group and assessing those risks, whilst recognising existing control measures, so that unacceptable risks are identified. Plans are developed and implemented to eliminate, reduce or transfer these risks where practicable. The Committee is also responsible for reviewing the risk management and control process within the Group.

The Committee meets quarterly and regularly reports to the Board. In addition, the Board undertakes annually a formal review of the risk management process and the performance of the Risk Management Committee.

CURRENCY COMMITTEE

The Currency Committee, chaired by the Chief Executive, comprising three further executive Directors and senior finance executives, meets monthly to review and manage the Group's currency hedging activities. Board approval is required for any changes in hedging policy.

Currently the Group exports 97% of sales from the UK. These sales are denominated in US Dollars, Euros and Yen.

Group hedging policy is to protect profits against adverse currency movements by hedging a minimum of 90% and a maximum of 100% of projected transaction exposures arising from trading over the forthcoming six month period. Profits in the following six month period are protected by hedging a minimum of 75% and a maximum of 100% of projected transaction exposures. Profits in a further three month period can, at the Board's discretion, be protected by hedging up to a maximum of 75% of projected transaction exposures.

Profitability can nevertheless vary due to the impact of fluctuating exchange rates on the uncovered portion of the transaction exposures and from revised forecasts of future trading, which can lead to an adjustment of currency cover in place. The impact of this hedging policy is disclosed in notes 21 and 28 to the financial statements.

DIRECTORS' RESPONSIBILITY FOR PREPARING FINANCIAL STATEMENTS

The Directors are required by UK company law to prepare financial statements which give a true and fair view of the state of affairs of the Company and the Group as at the end of the year and of the profit for the year. In preparing these financial statements, suitable accounting policies, as explained in the notes to the financial statements, consistently applied and supported by reasonable and prudent judgements and estimates and applicable accounting standards have been followed.

The Directors are responsible for ensuring that proper and adequate accounting records are kept, and that reasonable procedures have been followed for safeguarding the assets of the Group and for preventing and detecting fraud and other irregularities.

GOING CONCERN

The Directors are satisfied that the Company and Group have adequate resources to continue to operate for the foreseeable future. For this reason they continue to adopt the "going concern" basis for preparing the financial statements.

REPORT ON DIRECTORS' REMUNERATION

This report covers the remuneration of executive and non-executive Directors.

The Company's approach to executive Directors' remuneration is determined by the Board on the advice of the Remuneration Committee. Individual remuneration packages are determined by the Remuneration Committee within the framework approved by the Board.

The Company's approach to non-executive Directors' remuneration is set by the Board.

The Remuneration Committee consists entirely of independent non-executive Directors, as set out on page 13 and is chaired by Anita Frew. The Remuneration Committee has access to independent advice where it considers it appropriate. No such advice was sought during the year.

REMUNERATION POLICY

The Company aims to provide an appropriate remuneration structure that is competitive in the marketplace and is sufficient to attract, retain and motivate Directors of the requisite calibre. Company policy is that performance related components should form a significant portion of the overall remuneration package. If executive Directors earn a maximum annual bonus and LTIP payout, salary would represent approximately 40% of total remuneration, annual bonus 20% and LTIP 40% (excluding pension provision). In formulating remuneration policy, full consideration has been given to the principles set out in Section B of the Combined Code.

Basic salary and benefits

The basic salary for each executive Director is reviewed annually by the Remuneration Committee. It is intended that basic salary levels should reflect those paid to senior management of comparable companies. Salary amendments take into account performance against agreed objectives and comparative data, including reference to other employees in the Group as well as the Group's financial needs. Advice from external consultants is taken where appropriate. During the year the Committee did not use the services of an external remuneration consultant. The Company also provides private health insurance and company car benefits.

Annual cash bonus

Each executive Director is eligible to receive an annual cash bonus of up to 50% of basic salary. This is determined by reference to performance targets based on the Group's financial results (up to 30% of basic salary) and specific objectives (up to 20% of basic salary) set at the beginning of each financial year.

The actual bonus payable to each executive Director for the year ended 30 September 2003 was 26.46% of basic salary. This comprised 7.46% based on the Group's profit before tax performance and 19% for the achievement of specific objectives relating to commercial and product development and the achievement of certain business development milestones.

Awards under the Victrex Long Term Incentive Plan ("LTIP")

Each year, executive Directors can be awarded options to acquire, at no cost, market purchased shares in the Company up to a maximum equivalent value of 100% of basic salary. The awards normally become exercisable between the fifth and tenth anniversaries of the grant date subject to the Group's performance over the three year period commencing at the start of the financial year in which the grant is made.

The extent to which an award may become exercisable is dependent on two performance conditions with 50% determined by reference to the Company's Total Shareholder Return ("TSR") and 50% determined by reference to the Group's earnings per share ("EPS"):

- the Company's TSR element of an award will vest in full if the Company's TSR ranks in the upper quartile, as measured over the three year period, relative to the constituents of the FTSE Mid 250 Index at the beginning of that period. This element of the award is reduced to 12.5% on a pro-rata basis for median performance and is reduced to nil for below median performance. Notwithstanding these provisions, no shares will vest under this performance condition unless, in the opinion of the Remuneration Committee, there has been a sustained improvement in the underlying financial performance of the Group over the relevant performance period;
- the Group's EPS element of an award will vest in full if EPS growth exceeds inflation, as measured by the Retail Prices Index, by an average of 12% per annum or more over the three year period. This element of the award is reduced to 10% on a pro-rata basis if EPS growth exceeds inflation by an average of 5% per annum over the period and is reduced to nil if EPS growth fails to exceed inflation by 5% per annum.

The Remuneration Committee considers that this combination of performance conditions is the most appropriate way of rewarding executive Directors because it takes into account both the long term returns to shareholders and the Group's underlying financial performance. The TSR performance condition is monitored on our behalf by New Bridge Street Consultants whilst the Group's EPS growth is derived from the audited financial statements.

Share Options

With the exception of a one-off award to Blair Souder, shortly following his appointment, share options under the Victrex 1995 Employee Share Option Scheme were only granted to executive Directors up to 1999. Such options are exercisable once growth in the Group's EPS exceeds growth in the Retail Prices Index by at least 9% over any three year period.

Executive Directors can participate in the Group's Save as You Earn ("SAYE") option scheme and the Group's All Employee Share Ownership Scheme on the same basis as other employees.

Pension arrangements

The executive Directors, with the exception of David Hummel and Blair Souder, participate in the Group's UK defined benefit pension scheme, details of which are set out in note 23 to the financial statements. Members of the UK pension scheme are entitled to:

- life assurance cover of four times salary and a retirement pension subject to the scheme rules and Inland Revenue limits;
- if a member dies whilst in pensionable service, a surviving spouse and dependants are entitled to a pension subject to the scheme rules and Inland Revenue limits.

David Hummel and Blair Souder, residents of the USA, participate in a defined contribution scheme and a life assurance plan operated in respect of USA employees.

Executive Directors' pension and life assurance benefits are provided by approved pension schemes and group life assurance plans, as far as possible. Where the promised levels of benefits cannot be provided through the appropriate scheme, the Group provides benefits through the provision of additional salary supplements.

Service Agreements

The service agreements of the executive Directors are terminable by either the Company or the Director on 12 months' notice and make provision for early termination by way of payment of salary in lieu of 12 months' notice. However, whether such a payment is made is at the complete discretion of the Board. The Company does not have a set policy in relation to mitigation but in calculating the amount payable to a Director on termination of employment, the Company would apply usual common law and contractual principles when deciding upon the amount of any such payment.

Non-executive Directors

Non-executive Directors receive only a basic fee and are appointed under arrangements that may generally be terminated at will by either party without compensation.

REPORT ON DIRECTORS' REMUNERATION continued

The Auditor is required to report on the information contained from here to page 23 inclusive.

Directors' remuneration for the year ended 30 September 2003 was as follows:

	Date of service contract	Basic salary £	Bonus £	Benefits in kind £	Total 2003 £	Total 2002 £
Executive Directors						
D R Hummel	6 Dec 95	252,485 ⁽¹⁾	56,880	750	310,115	259,723
M W Peacock	1 Feb 00	139,313 ⁽¹⁾	34,729	9,595	183,637	144,988
B Souder	16 Sept 02	148,167 ⁽¹⁾	36,115	63,128 ⁽²⁾	247,410	36,310
T J Walker	1 May 99	148,763 ⁽¹⁾	34,729	1,991	185,483	143,653
Chairman						
P T Warry	1 Oct 01	71,660	–	–	71,660	68,250
Non-executive Directors						
A M Frew	1 Aug 03	22,050	–	–	22,050	21,000
J G A Azis (appointed 22 September 2003)	22 Sept 03	673	–	–	673	–
C E Irving-Swift	12 Feb 02	22,050	–	–	22,050	13,300
A G Clinch (retired 3 October 2002)	19 Sept 00	242	–	–	242	21,000
Total remuneration		805,403	162,453	75,464	1,043,320	708,224

The total payments (including pension contributions) made to the highest paid Director, D R Hummel, were £321,119 (2002: £272,352).

⁽¹⁾ In accordance with the policy outlined on page 20, basic salary for D R Hummel and B Souder includes additional salary supplements of £32,148 and £2,915 respectively with regards to the shortfall in the promised level of pension benefit which cannot be provided through the appropriate approved scheme and £7,253 and £2,407 respectively with regards to the shortfall in the promised levels of life and disability insurance. Basic salary for M W Peacock and T J Walker includes additional salary supplements of £8,063 each in respect of the shortfall in the promised level of pension benefit which cannot be provided through the appropriate approved scheme. In addition T J Walker receives an additional salary supplement of £9,450 in lieu of a company car.

⁽²⁾ Benefits in kind to B Souder include a payment in respect of relocation amounting to £52,667.

Pensions

	Age at 30/09/03	Accrued benefit at 30/09/02 £	Change in accrued benefit due to inflation £	Change in accrued benefit due to other factors £	Accrued benefit at 30/09/03 £	Transfer value at 30/09/02 £	Directors' contributions £	Increase in value transfer net of Directors' contributions £	Transfer value at 30/09/03 £
M W Peacock	45	4,634	128	2,023	6,785	22,292	4,810	10,594	37,696
T J Walker	55	5,949	164	2,060	8,173	54,415	4,810	28,115	87,340

The transfer value of the change in accrued benefit due to other factors less Directors' contributions for M W Peacock and T J Walker were £6,434 and £17,200 respectively.

The cost of pension contributions payable and accrued under defined contribution arrangements for D R Hummel and B Souder amounted to £11,004 (2002: £12,629) and £8,665 (2002: £nil) respectively.

Directors' shares

The Directors of the Company have beneficial and non-beneficial interests in the Company's ordinary shares as follows:

	30/9/03 Beneficial	30/9/03 Non-beneficial	30/9/02 Beneficial	30/9/02 Non-beneficial
Executive Directors				
D R Hummel	3,505,931	254,000	3,505,931	254,000
M W Peacock	1,000	-	1,000	-
B Souder	2,000	-	-	-
T J Walker	21,148	-	9,798	-
Chairman				
P T Warry	57,067	-	48,067	-
Non-executive Directors				
A M Frew	9,184	-	2,184	-
J G A Azis (appointed 22 September 2003)	-	-	-	-
C E Irving-Swift	1,000	-	1,000	-

Between 30 September 2003 and 5 December 2003, the beneficial shareholding increased for T J Walker by 72 shares.

The Directors' share options at 30 September 2003 under the Victrex 1995 Employee Share Option Scheme were as follows:

	30/9/02	30/9/03	Exercise price ⁽¹⁾	Normal exercise period
D R Hummel	112,903	112,903	170.0p	1998-2005
B Souder	-	100,000	214.0p	2005-2012
T J Walker	50,000	50,000	187.5p	2002-2009

⁽¹⁾ The exercise price equates to the market value of the shares on the date of grant.

The performance conditions applicable to these options are set out on page 20.

REPORT ON DIRECTORS' REMUNERATION continued

The mid-market price of Victrex plc shares at 30 September 2003 was 355p (2002: 212.5p). The range in the financial year was 203p to 383.5p (2002: 212.5p to 329p).

The Directors' SAYE share options at 30 September 2003 were as follows:

	30/9/02	30/9/03	Exercise price ⁽¹⁾	Normal exercise period
M W Peacock	3,215	3,215	241p	2004
M W Peacock	748	748	254p	2005
T J Walker	8,806	4,587	206p	2006

⁽¹⁾ In accordance with the rules of the scheme the exercise price equates to a discount of 20% on the market value of the shares on the date of grant. No performance conditions apply to these options, since this scheme is open to all employees who have completed a qualifying service period.

On 4 March 2003 T J Walker exercised 8,806 SAYE share options at an option price of 110p per share when the market price was 242.5p per share. No other SAYE share options were exercised by Directors during the year.

Long Term Incentive Plan

The Long Term Incentive Plan ("LTIP") commenced on 26 January 1999. The Directors' contingent interests in shares at 30 September 2003 were as follows:

	30/9/02	Granted in year	30/9/03
D R Hummel	244,555	81,490	326,045
M W Peacock	109,999	50,970	160,969
B Souder	–	51,740	51,740
T J Walker	109,999	50,970	160,969
	464,553	235,170	699,723

The market value of the shares granted in the year was 257.5p per share on the date of the grant.

Outstanding option awards granted annually under the LTIP:

Granted in year	1999	2000	2001	2002	2003	30/9/03
Normal exercise period	2004-2009	2005-2010	2006-2011	2006-2011	2007-2012	
D R Hummel	81,247	35,000	58,554	69,754	81,490	326,045
M W Peacock	–	40,000	29,871	40,128	50,970	160,969
B Souder	–	–	–	–	51,740	51,740
T J Walker	–	40,000	29,871	40,128	50,970	160,969
	81,247	115,000	118,296	150,010	235,170	699,723

The performance conditions applicable to these option awards are outlined on page 19.

The three year performance periods in respect of the awards granted in 1999, 2000 and 2001 have now been completed.

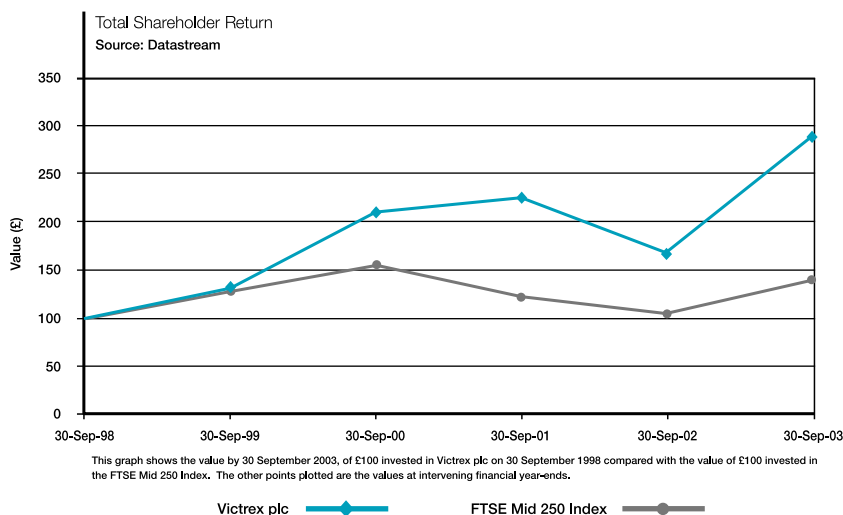
For the LTIP performance period from 1 October 1998 to 30 September 2001 in respect of the awards granted in 1999 Victrex plc's Total Shareholder Return ("TSR") was ranked 18th relative to companies in the FTSE Mid 250 as at the start of the period and the Group's earning per share ("EPS") growth exceeded inflation by an average of 16.8% per annum. Accordingly, the award of 81,247 shares made to D R Hummel in 1999 will, in normal circumstances, become exercisable in full between 26 January 2004 and 26 January 2009.

For the LTIP performance period from 1 October 1999 to 30 September 2002 in respect of the awards granted in 2000 Victrex plc's TSR was ranked 14th relative to companies in the FTSE Mid 250 as at the start of the period and the Group's EPS growth exceeded inflation by an average of 12.2% per annum. Accordingly, the awards of 35,000 shares made to D R Hummel, 40,000 shares made to M W Peacock and 40,000 shares made to T J Walker in 2000 will, in normal circumstances, become exercisable in full between 7 March 2005 and 7 March 2010.

For the LTIP performance period from 1 October 2000 to 30 September 2003 in respect of awards granted in January 2001 Victrex plc's TSR was ranked 27th relative to companies in the FTSE Mid 250 as at the start of the period and the Group's EPS growth exceeded inflation by an average of 7.6% per annum. Accordingly 50% of the awards vested in full in respect of the Company's TSR performance and 24.88% of the awards vested, on a pro-rata basis, in respect of the Group's EPS performance. Accordingly the awards of 58,554 shares made to D R Hummel, 29,871 shares made to M W Peacock and 29,871 shares made to T J Walker will, in normal circumstances, become exercisable at a rate of 74.88% between 25 January 2006 and 25 January 2011.

Total Shareholder Return performance graph

The following graph shows the cumulative total shareholder return of the Company over the last five financial years relative to the FTSE Mid 250 index. The FTSE Mid 250 index has been selected because the Company is a member of that index.



ANITA FREW

Chairman of the Remuneration Committee

8 December 2003

SAFETY, HEALTH AND ENVIRONMENT REPORT

SAFETY, HEALTH AND ENVIRONMENT POLICY

The Board believes that all employees should be able to work safely in a healthy workplace and that the Group's activities should not harm the public or the environment. Everyone in the Group is expected to place the highest priority on achieving these aims. Good safety, health and environmental ("SHE") performance go hand in hand with good business performance.

PERFORMANCE

The Group's excellent health and safety performance has continued during the year with no employees having a reportable injury for the fifteenth successive year. The Group received the Royal Society for the Prevention of Accidents Gold Medal in 2003 for the second year, following five consecutive years of receiving the RoSPA Gold Award.

We seek to stay well ahead of relevant environmental standards. Our manufacturing plants are authorised processes under the Environmental Protection Act 1990 and as such are subject to close monitoring of environmental emissions.

There have again been no prosecutions, fines or enforcement action as a result of non-compliance with safety, health or environmental legislation.

POLICY IMPLEMENTATION

The Group's policy objectives are achieved by:

- identifying SHE hazards;
- assessment of the risks associated with the identified hazards;
- implementation of appropriate control measures, with external guidance and advice being sought and used where appropriate;
- ensuring that all employees are appropriately and properly trained and understand what they are required to do;
- reviewing and learning from our own and other people's experiences and taking on board new legislation and other requirements;
- ensuring that all employees contribute to improving SHE performance through regular and effective communication and consultation.

RESPONSIBILITY FOR SHE POLICY AND PERFORMANCE

The Board has ultimate responsibility for SHE policy and performance and receives a report on safety, health and environmental issues on a monthly basis.

The Production and Technical Director is directly accountable to the Board for SHE performance. He is responsible for ensuring that adequate arrangements and resources are in place to implement the SHE policy as outlined above and that these measures are effective. A dedicated SHE department supports him in this.

Senior executives are responsible for ensuring that the SHE policy is implemented in their departments and that all employees have been trained in defined safe working methods.

All employees have a responsibility to prevent injury and damage to health and the environment and to contribute to improvements in SHE performance through regular communication and consultation.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF VICTREX PLC

We have audited the financial statements on pages 27 to 47. We have also audited the information in the Report on Directors' Remuneration that is described as having been audited.

This report is made solely to the Company's members as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in our auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Directors are responsible for preparing the Annual Report and the Report on Directors' Remuneration. As described on page 18 this includes responsibility for preparing the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the Financial Services Authority, and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements and the part of the Report on Directors' Remuneration to be audited give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding the Directors' remuneration and transactions with the Group is not disclosed.

We review whether the statement on pages 15 to 17 reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, and we report if it does not. We are not required to consider whether the Board's statements on internal controls cover all risks and controls, or to form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report, including the corporate governance statement, and the unaudited part of the Report on Directors' Remuneration and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Report on Directors' Remuneration to be audited. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Report on Directors' Remuneration to be audited are free from misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Report on Directors' Remuneration to be audited.

OPINION

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 30 September 2003 and of the profit of the Group for the year then ended; and
- the financial statements and the part of the Report on Directors' Remuneration on pages 21 to 23 to be audited have been properly prepared in accordance with the Companies Act 1985.

KPMG AUDIT PLC

Chartered Accountants Registered Auditor

Manchester

8 December 2003

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 30 September	Note	2003 £000	2002 £000
Turnover: Group and share of Japanese joint venture		76,616	63,268
Less: share of Japanese joint venture		(5,116)	(4,181)
Turnover	2	71,500	59,087
Cost of sales		(32,131)	(26,634)
Gross profit		39,369	32,453
Sales, marketing and administrative expenses		(16,841)	(13,011)
Group operating profit		22,528	19,442
Share of operating profit in Japanese joint venture		350	70
Total operating profit		22,878	19,512
Interest receivable	5	107	75
Interest payable and other similar charges	6	(420)	(538)
Profit on ordinary activities before taxation	2-6	22,565	19,049
Taxation on profit on ordinary activities	7	(7,334)	(6,191)
Profit on ordinary activities after taxation		15,231	12,858
Equity dividends paid and proposed	8	(5,989)	(5,539)
Retained profit for the financial year	19	9,242	7,319
The Company		8,037	4,075
Group undertakings and joint ventures		1,205	3,244
		9,242	7,319
Earnings per ordinary share – Basic	9	19.1p	16.2p
Diluted	9	19.0p	16.0p

The Group's turnover and operating profit arise from continuing operations in both the current and preceding year.

There were no material differences between reported profits and historical cost profits on ordinary activities before taxation in either of the above financial years.

BALANCE SHEETS

As at 30 September	Note	Group		Company	
		2003 £000	2002 £000	2003 £000	2002 £000
Fixed assets					
Intangible assets	10	7,949	9,221	-	-
Tangible assets	11	42,992	39,919	-	-
Investments	12	1,693	1,053	12,944	12,304
Investment in Japanese joint venture:					
share of gross assets	12	1,643	1,483	-	-
share of gross liabilities	12	(1,843)	(1,826)	-	-
		52,434	49,850	12,944	12,304
Current assets					
Stocks	13	16,415	13,946	-	-
Debtors	14	9,369	8,167	46,582	37,500
Cash at bank and in hand		6,040	6,341	1	1
		31,824	28,454	46,583	37,501
Creditors: amounts falling due within one year	15	(17,150)	(14,257)	(6,809)	(5,988)
Net current assets		14,674	14,197	39,774	31,513
Total assets less current liabilities		67,108	64,047	52,718	43,817
Creditors: amounts falling due after more than one year	16	-	(7,912)	-	-
Provisions for liabilities and charges	17	(5,259)	(4,378)	-	-
Net assets		61,849	51,757	52,718	43,817
Capital and reserves					
Called up share capital	18-19	802	796	802	796
Share premium account	19	12,743	11,885	12,743	11,885
Profit and loss account	19	48,304	39,076	39,173	31,136
Equity shareholders' funds		61,849	51,757	52,718	43,817

These financial statements were approved by the Board of Directors on 8 December 2003 and were signed on its behalf by:

D R Hummel *Chief Executive*

M W Peacock *Finance Director*

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30 September	Note	2003 £000	2002 £000
Net cash inflow from operating activities	25	26,104	17,143
Return on investments and servicing of finance			
Interest received		107	75
Interest paid		(373)	(500)
Net cash outflow from returns on investment and servicing of finance		(266)	(425)
Taxation – Taxation paid		(6,243)	(5,202)
Net cash outflow from capital expenditure – Purchase of tangible fixed assets		(6,505)	(8,811)
Equity dividends paid		(5,615)	(5,379)
Net cash inflow/(outflow) before financing		7,475	(2,674)
Financing			
Issue of ordinary shares exercised under option		6	1
Premium on issue of ordinary shares exercised under option		858	280
Share purchase		(640)	(304)
Debt due after more than one year – (decrease)/increase in long-term borrowing		(8,000)	8,000
Net cash (outflow)/inflow from financing		(7,776)	7,977
(Decrease)/increase in cash in the year	26	(301)	5,303

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 30 September	2003 £000	2002 £000
Profit for the financial year	15,231	12,858
Exchange loss on consolidation	(14)	(109)
Total recognised gains and losses relating to the financial year	15,217	12,749
Prior year adjustment made in 2002	-	(3,178)
Total recognised gains for the financial year	15,217	9,571

RECONCILIATIONS OF MOVEMENTS IN SHAREHOLDERS' FUNDS

For the year ended 30 September	Group		Company	
	2003 £000	2002 £000	2003 £000	2002 £000
Profit for the financial year	15,231	12,858	14,026	9,614
Equity dividends paid and proposed	(5,989)	(5,539)	(5,989)	(5,539)
Retained profit for the financial year	9,242	7,319	8,037	4,075
Exchange loss on consolidation	(14)	(109)	-	-
Issue of ordinary shares exercised under option	6	1	6	1
Premium on issue of ordinary shares exercised under option	858	280	858	280
Net movement in shareholders' funds	10,092	7,491	8,901	4,356
Opening shareholders' funds	51,757	44,266	43,817	39,461
Closing shareholders' funds	61,849	51,757	52,718	43,817

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting policies

The following accounting policies, except where stated, have been applied consistently in dealing with items which are considered material in relation to the Group's financial statements.

Basis of preparation The financial statements have been prepared in accordance with applicable Accounting Standards and under the historical cost accounting rules.

Basis of consolidation The Group accounts consolidate the accounts of Victrex plc and its subsidiary undertakings, all of which are made up to 30 September 2003.

Unless otherwise stated, the acquisition method of accounting has been adopted. Under this method of accounting, the results of subsidiaries are included in the consolidated profit and loss account from the date effective control passed. Goodwill arising on consolidation (representing the excess of the fair value of the consideration given and associated costs over the fair value of the separable net assets acquired) has historically been written off against reserves on acquisition. From 1 October 1998 goodwill and other intangibles have been capitalised and written off to the profit and loss account over a period appropriate to each investment but no more than 20 years in accordance with FRS 10 – Goodwill and intangible assets. The Group did not capitalise retrospectively goodwill previously written off prior to 1 October 1998.

In the Company's accounts, investments in subsidiary undertakings and Victrex-MC, Inc are stated at cost less any impairment in the value of the investment. Dividends received and receivable are credited to the Company's profit and loss account to the extent that they represent a realised profit for the Company.

The Group's share of profits less losses of Victrex-MC, Inc is included in the consolidated profit and loss account on the gross equity accounting basis. The consolidated profit and loss account also shows the Group's share of its Japanese joint venture's turnover. The holding value of the Japanese joint venture in the Group balance sheet is calculated by reference to the Group's equity in the gross assets and gross liabilities of such undertakings, adjusted for unrealised profit in stock.

The joint venture with Laporte Amalgamation plc (now owned by Degussa AG) has been accounted for as a joint arrangement that is not an entity in accordance with FRS 9 – Associates and joint ventures.

In accordance with Section 230(4) of the Companies Act 1985 Victrex plc is exempt from the requirement to present its own profit and loss account. The amount of the profit for the financial year dealt with in the financial statements of Victrex plc is disclosed in note 19 to these accounts.

Fixed assets and depreciation Depreciation is provided by the Group to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Long leasehold land and buildings	30 years
Freehold buildings	30 years
Plant and machinery	10-20 years
Fixtures, fittings, tools and equipment	5 years
Computers and motor vehicles	3-5 years

No depreciation is provided on freehold land.

Assets in the course of construction are not depreciated until fully commissioned.

Intangible fixed assets and amortisation Amortisation is provided by the Group to write off the cost of intangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Goodwill and knowhow	10 years
----------------------	----------

Operating leases The rental charges on operating leases are charged to the profit and loss account on a straight line basis over the life of the lease.

Stocks Stocks are stated at the lower of cost and net realisable value. In the case of manufactured products, cost includes the attributable proportion of manufacturing overhead costs.

Foreign currencies Transactions and monetary assets and liabilities denominated in foreign currencies which are subject to currency hedging contracts are recorded at the rate specified in those contracts.

Transactions in foreign currencies which are not subject to currency hedging contracts are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies which are not subject to forward exchange contracts are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

For consolidation purposes, the assets and liabilities of overseas subsidiary undertakings are translated at the effective closing exchange rate taking into consideration currency hedging contracts where appropriate. Profit and loss accounts of such undertakings are consolidated at the effective average rates of exchange during the year. Exchange differences arising on these transactions are taken to reserves.

Pensions Details are given in note 23.

Research and development expenditure All research and development expenditure is written off to the profit and loss account in the year in which it is incurred.

Taxation The charge for taxation is based on the profit for the year and fully reflects taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. The Group has opted to calculate deferred taxation on a discounted basis.

Turnover Turnover represents the amounts (excluding value added tax) receivable for goods and services sold to third party customers during the year.

2 Analysis of turnover

The Group operates in a number of geographical segments. An analysis of profit before taxation and net assets by geographical market has not been prepared as the Directors believe it would be seriously prejudicial to the commercial interests of the Group.

An analysis of turnover by origin and customer location is as follows:

	2003 £000	2002 £000
Europe	36,100	28,693
United States of America	26,547	22,784
Asia-Pacific	8,853	7,610
	71,500	59,087

All turnover and profits before taxation are derived from the Group's principal activity.

NOTES TO THE FINANCIAL STATEMENTS continued

3 Profit on ordinary activities before taxation

	2003 £000	2002 £000
Profit on ordinary activities before taxation is stated after charging:		
Auditors' remuneration: Audit services	76	72
Further assurance services	18	–
Tax services	17	10
Other services	26	9
Amortisation of intangible fixed assets	1,272	1,272
Depreciation and other amounts written off owned tangible fixed assets	3,065	2,518
Hire of plant and machinery – rentals payable under operating leases	253	234
Hire of other assets – operating leases	132	125
Research and development costs	2,595	2,294

The audit fee for the Company was £15,000 (2002: £15,000).

4 Staff numbers and costs

The average number of people employed by the Group (including Directors) during the period, analysed by category, was as follows:

NUMBER OF EMPLOYEES	2003	2002
Operations	108	108
Technical	37	32
Commercial	64	54
Administration	31	28
	240	222

The aggregate payroll costs of these people were as follows:

	2003 £000	2002 £000
Wages and salaries	10,553	8,133
Social security costs	778	566
Other pension costs (see note 23)	1,055	1,015
	12,386	9,714

5 Interest receivable

	2003 £000	2002 £000
Bank interest receivable	91	65
Interest on overpaid corporation tax	16	10
	107	75

6 Interest payable and other similar charges

	2003 £000	2002 £000
On bank loans and overdrafts repayable within five years	326	492
Other finance costs	88	39
Share of Japanese joint venture	6	7
	420	538

7 Taxation

(i) Analysis of tax charge in the year

	2003 £000	2002 £000
Current tax		
UK corporation tax at 30% (2002: 30%)	5,514	4,420
Foreign tax on profits for the year	564	78
UK corporation tax adjustments relating to prior years	(113)	–
Foreign tax adjustments relating to prior years	–	(113)
Share of Japanese joint venture	190	25
Share of Laporte joint venture	298	581
Total current tax	6,453	4,991
Deferred tax		
Origination and reversal of timing differences	936	1,073
(Increase)/decrease in discount	(55)	127
Total deferred tax	881	1,200
Total taxation	7,334	6,191

(ii) Factors affecting the tax charge for the year

	2003 £000	2002 £000
Profit on ordinary activities before taxation	22,565	19,049
Tax charge at UK corporation tax rate of 30% (2002: 30%)	6,770	5,714
Effects of:		
Expenses not deductible for tax purposes	526	459
Capital allowances for the year in excess of depreciation	(915)	(1,172)
Movement in short-term timing differences	(21)	99
Higher rates of tax on overseas earnings	280	22
Unutilised overseas losses	39	42
UK research and development tax credits	(113)	(60)
Adjustments to UK tax charge relating to prior years	(113)	–
Adjustments to foreign tax charge relating to prior years	–	(113)
Current tax charge for the year	6,453	4,991

NOTES TO THE FINANCIAL STATEMENTS continued

7 Taxation (continued)

(iii) Factors that may affect future tax charges

Based on current capital investment forecasts, the Group expects to continue to be able to claim capital allowances in excess of depreciation in future years at a broadly similar level to the current year. The Group also expects to benefit from the UK research and development tax credits regime, at a similar rate to the benefit obtained in the current year. The overall tax rate would be likely to increase if the proportion of profits in the overseas countries in which the Group operates increases, reflecting the higher tax rates in those countries. This may however be partially offset by the potential utilisation of overseas tax losses against such increased profits.

No deferred tax is recognised on the unremitted earnings of overseas subsidiaries.

8 Equity dividends

	2003 £000	2002 £000
Interim dividend at 2.2p per share (2002: 2.1p per share)	1,738	1,672
Final proposed dividend at 5.3p per share (2002: 4.9p per share)	4,251	3,867
	5,989	5,539

9 Earnings per share

	2003	2002
Basic	19.1p	16.2p
Diluted	19.0p	16.0p

Earnings per ordinary share is based on the Group's profit on ordinary activities after taxation of £15,231,000 (2002: £12,858,000).

The weighted average number of shares used in the calculation is: – Basic 79,861,763 (2002: 79,557,034);
– Diluted 80,152,779 (2002: 80,136,347).

Dilution is due to outstanding shares under option (see note 20).

10 Intangible fixed assets

GROUP	Goodwill £000	Knowhow £000	Total £000
Cost			
At beginning and end of year	6,619	6,100	12,719
Amortisation			
At beginning of year	1,820	1,678	3,498
Charge for the year	662	610	1,272
At end of year	2,482	2,288	4,770
Net book value			
At 30 September 2003	4,137	3,812	7,949
At 30 September 2002	4,799	4,422	9,221

Goodwill represents the difference between the consideration paid for the DFDP business of Laporte plc and the fair value of the net assets acquired together with associated deal costs.

The Company has no intangible fixed assets.

11 Tangible fixed assets

GROUP	Long leasehold land and buildings £000	Freehold land and buildings £000	Plant and machinery £000	Computers and motor vehicles £000	Fixtures, fittings tools and equipment £000	Assets in the course of construction £000	Total £000
Cost							
At beginning of year	2,085	215	44,680	2,594	298	3,579	53,451
Exchange rate adjustment	–	–	–	(9)	(7)	–	(16)
Additions	34	41	2,051	376	21	3,630	6,153
Disposals	–	–	(6)	(49)	–	–	(55)
Reclassification	101	678	3,887	–	–	(4,666)	–
At end of year	2,220	934	50,612	2,912	312	2,543	59,533
Depreciation							
At beginning of year	438	–	11,086	1,817	191	–	13,532
Exchange rate adjustment	–	–	–	(5)	(2)	–	(7)
Disposals	–	–	(3)	(46)	–	–	(49)
Charge for the year	74	10	2,469	478	34	–	3,065
At end of year	512	10	13,552	2,244	223	–	16,541
Net book value							
At 30 September 2003	1,708	924	37,060	668	89	2,543	42,992
At 30 September 2002	1,647	215	33,594	777	107	3,579	39,919

The Company has no tangible fixed assets.

The cost of freehold land not depreciated is £291,000.

NOTES TO THE FINANCIAL STATEMENTS continued

12 Fixed asset investments

Own shares
£000

GROUP

Cost and net book value

At beginning of year	1,053
Additions	640
At end of year	1,693

The fixed asset investments consist of shares of Victrex plc held by employee trusts which are administered by independent trustees. The total number of shares held in trust as at 30 September 2003 was 755,605 (2002: 520,435).

The shares, whilst not legally the property of the Company, have been included in fixed asset investments as 'own shares' to comply with FRS 5 - Reporting the substance of transactions. The market value of these shares at 30 September 2003 was £2,682,398 (2002: £1,105,924).

Distribution of shares from the trusts is at the discretion of the trustees. Dividends attaching to these shares have been waived.

Investment in Japanese joint venture The investment in the Japanese joint venture represents the Group's share of the net assets of Victrex-MC, Inc, adjusted for unrealised profit in stock, resulting in a negative balance of £200,000 (2002: £343,000).

COMPANY	Shares in Japanese joint venture £000	Shares in Group undertakings £000	Own shares £000	Total £000
Cost and net book value				
At beginning of year	131	11,120	1,053	12,304
Additions	-	-	640	640
At end of year	131	11,120	1,693	12,944

The principal companies in which the Group's interest is more than 20%, all of which are held by Victrex plc, are as follows:

	Country of registration and operation	Principal activity	Shares held Class	Percentage
Subsidiary undertakings				
Victrex Manufacturing Limited	Great Britain	Manufacture and sale of polymers	Ordinary	100%
Victrex USA Inc	USA	Sale of polymers	Ordinary	100%
Victrex Europa GmbH	Germany	Sale of polymers	Ordinary	100%
Invio Limited	Great Britain	Manufacture and sale of polymers	Ordinary	100%
Joint ventures				
Victrex-MC, Inc	Japan	Sale of polymers	Ordinary	51%
Syncserv Limited	Great Britain	Manufacture and sale of monomers	Ordinary	50%

The activities of Victrex-MC, Inc are governed by a joint venture agreement between Victrex plc and Mitsui Chemicals Inc. Certain key management decisions require the co-operation of both parties.

The activities of Syncserv Limited are governed by a joint venture agreement between Victrex plc and Laporte Amalgamation plc. There is joint management of the company. The financial year end of Syncserv Limited is 31 December.

13 Stocks

	GROUP		COMPANY	
	2003 £000	2002 £000	2003 £000	2002 £000
Raw materials and consumables	3,534	4,329	-	-
Work in progress	1,667	1,405	-	-
Finished goods and goods for resale	11,214	8,212	-	-
	16,415	13,946	-	-

14 Debtors

	GROUP		COMPANY	
	2003 £000	2002 £000	2003 £000	2002 £000
Trade debtors	6,761	5,382	-	-
Amounts owed by subsidiary undertakings	-	-	46,558	37,500
Amounts owed by Japanese joint venture	1,412	1,909	-	-
Other debtors	760	481	22	-
Prepayments and accrued income	436	395	2	-
	9,369	8,167	46,582	37,500

There were no amounts due after one year.

15 Creditors: amounts falling due within one year

	GROUP		COMPANY	
	2003 £000	2002 £000	2003 £000	2002 £000
Bank overdrafts	-	-	1,347	1,323
Trade creditors	3,726	3,036	32	32
Amounts owed to Group undertakings	-	-	1,660	1,020
Other creditors including taxation and social security:				
Corporation tax	3,005	2,985	(486)	(246)
Other creditors	419	344	-	-
Accruals and deferred income	5,749	4,015	5	(18)
Dividends proposed	4,251	3,877	4,251	3,877
	17,150	14,257	6,809	5,988

No interest is payable on financial liabilities, except for the bank overdrafts. Bank overdraft balances attract floating rates of interest. Under the Group's banking arrangements, the rights of set-off apply to certain companies' cash and overdraft balances and as such the Group's cash balance is shown net of overdrafts.

NOTES TO THE FINANCIAL STATEMENTS continued

16 Creditors: amounts falling due after more than one year

	GROUP		COMPANY	
	2003 £000	2002 £000	2003 £000	2002 £000
Bank loan	-	8,000	-	-
Prepaid finance costs	-	(88)	-	-
	-	7,912	-	-

The bank loan is a £40,000,000 committed floating rate multi-currency revolving credit facility which expires in September 2008. There is no security over this facility. The facility bears interest at rates based on LIBOR. The average interest rate during the year was 5%. Throughout the year all the facilities were denominated in Sterling.

17 Provisions for liabilities and charges

The amounts provided for deferred taxation are set out below:

	2003 £000	2002 £000
Timing differences		
Capital allowances in excess of depreciation	6,909	5,994
Short-term timing differences	(78)	(99)
Undiscounted provision for deferred taxation	6,831	5,895
Discount	(1,572)	(1,517)
Discounted provision for deferred taxation	5,259	4,378
Provision at start of year	4,378	3,178
Deferred taxation charge in profit and loss account (note 7)	881	1,200
Provision at end of year	5,259	4,378

No timing differences have arisen in the Company.

18 Called up share capital

	2003 £	2002 £
Authorised ordinary shares of 1p each	1,100,000	1,100,000
Allotted, called up and fully paid ordinary shares of 1p each	802,021	796,356

19 Share capital and reserves

GROUP	Share capital £000	Share premium account £000	Profit and loss account £000
At beginning of year	796	11,885	39,076
Retained profit for year	–	–	9,242
Issue of ordinary shares exercised under option	6	–	–
Premium on issue of ordinary shares under option	–	858	–
Exchange adjustment	–	–	(14)
At end of year	802	12,743	48,304
COMPANY			
At beginning of year	796	11,885	31,136
Retained profit for year	–	–	8,037
Issue of ordinary shares exercised under option	6	–	–
Premium on issue of ordinary shares under option	–	858	–
At end of year	802	12,743	39,173

The Company's profit for the year was £14,026,000 before the payment of dividends (2002: £9,614,000).

The cumulative amount of goodwill resulting from acquisitions which has been written off directly against reserves is £9,095,000 (2002: £9,095,000).

Some £8,945,000 of the brought forward goodwill was created at the time of the management buy-out from ICI in 1993. It represents the difference between the consideration paid and the fair value of the assets acquired. This goodwill has been written off against the share premium account of a subsidiary company for which statutory approval was granted and hence does not affect the distributable reserves of the Group.

In accordance with FRS 10 – Goodwill and intangible assets, the goodwill reserve has been netted off against the profit and loss account.

NOTES TO THE FINANCIAL STATEMENTS continued

20 Share option schemes

Employee share option scheme

During the year options over 100,000 shares were granted to employees at an option price of 214p per share, options over 65,878 shares were granted to employees at an option price of 257.5p, options over 25,000 shares were granted to employees at an option price of 265p and options over 238,903 shares were granted to employees at an option price of 317.5p per share.

Options over 323,856 shares were exercised during the year. Total consideration was £588,630.

The total number of shares under option at the year end, excluding SAYE, were as follows:

DATE OF GRANT	OUTSTANDING SHARES UNDER OPTION	OPTION PRICE	NORMAL EXERCISE PERIOD
December 1995	194,652	170p	1998-2005
June 1997	13,558	177.5p	2000-2007
December 1997	26,936	227.5p	2000-2007
June 1998	63,181	202.5p	2001-2008
December 1998	20,121	172.5p	2001-2008
June 1999	99,221	187.5p	2002-2009
January 2000	29,064	171p	2003-2010
June 2000	162,539	234p	2003-2010
January 2001	59,332	351p	2004-2011
January 2001	19,450	369p	2004-2011
July 2001	157,610	388p	2004-2011
December 2001	82,760	315.5p	2004-2011
June 2002	197,614	316.5p	2005-2012
October 2002	100,000	214p	2005-2012
December 2002	65,878	257.5p	2005-2012
April 2003	25,000	265p	2006-2013
June 2003	238,903	317.5p	2006-2013

1,555,819

Save as you earn scheme ("SAYE")

During the year options over 203,925 shares were granted to employees at an option price of 206p per share.

Options over 242,581 shares were exercised during the year. Total consideration was £275,094.

The total number of shares under option at the year end were as follows:

DATE OF GRANT	OUTSTANDING SHARES UNDER OPTION	OPTION PRICE	NORMAL EXERCISE PERIOD
February 1999	55,261	138p	2004
February 2001	92,991	241p	2004
February 2002	55,298	254p	2005
February 2003	198,055	206p	2006

401,605

21 Fair values of financial assets and liabilities

Set out below is a comparison by category of the book values and fair values of the Group's material financial assets and liabilities.

	2003 Book value £000	2003 Fair value £000	2002 Book value £000	2002 Fair value £000
PRIMARY FINANCIAL INSTRUMENTS				
Trade debtors	8,173	8,104	7,291	6,824
Cash at bank and in hand	6,040	5,947	6,341	6,017
Short term liabilities (trade creditors, bank overdraft and accruals)	(9,475)	(9,448)	(7,051)	(6,933)
Bank loans	-	-	(7,912)	(7,912)
	4,738	4,603	(1,331)	(2,004)
DERIVATIVE FINANCIAL INSTRUMENTS (HEDGES)				
Forward foreign currency contracts	135	(143)	673	2,145

The fair market values set out above have been calculated by applying (where relevant), for equivalent maturity profiles, the rate at which forward currency contracts with the same principal amounts could be acquired at the balance sheet date.

Hedges

The Group's policy is to use forward contracts to hedge foreign currency risks as described on page 17. The table below shows the extent to which the Group has, by comparison with fair market value, unrecognised gains and losses (those not reflected in the 'Book value' column in the table above) on those contracts at the year end.

UNRECOGNISED GAINS AND LOSSES	Gains £000	Losses £000	Total net gains/(losses) £000
At 30 September 2003	728	(1,006)	(278)
At 30 September 2002	2,252	(780)	1,472

All gains and losses that were unrecognised, on a fair market value basis, at 30 September 2002 have been recognised during the year. All gains and losses that are unrecognised, on a fair market value basis, at 30 September 2003 are expected to be recognised in the year to 30 September 2004.

NOTES TO THE FINANCIAL STATEMENTS continued

22 Commitments

(i) Capital commitments at the end of the financial year for which no provision has been made are as follows:

	GROUP		COMPANY	
	2003 £000	2002 £000	2003 £000	2002 £000
Contracted	1,064	2,561	-	-
Authorised but not contracted	3,984	3,531	-	-

(ii) Annual commitments under non-cancellable operating leases are as follows:

GROUP	2003 Land and buildings £000	2003 Other £000	2002 Land and buildings £000	2002 Other £000
	Operating leases which expire:			
Within one year	36	89	5	49
In the second to fifth years inclusive	63	130	71	207
Over five years	-	11	-	-
	99	230	76	256
JAPANESE JOINT VENTURE				
Operating leases which expire:				
Within one year	208	2	-	2
In the second to fifth years inclusive	-	-	230	-
	208	2	230	2

The Company has no operating lease commitments.

23 Pension schemes

The Group operates a number of pension schemes for its employees throughout the world. The majority of schemes outside the UK are defined contribution.

The principal scheme operated by the Group is a funded UK pension scheme in which certain employees of subsidiary undertakings participate. The scheme provides benefits based on final pensionable pay with contributions being charged to the profit and loss account of the relevant company so as to spread the cost of pensions over employees' working lives with the Group. The contributions are determined by a qualified independent actuary on the basis of triennial valuations using the projected unit method.

This scheme was closed to new members from 31 December 2001 from which point new employees have been invited to join a new defined contribution scheme.

The Group has continued to account for pensions in accordance with SSAP 24 – Accounting for pension costs and the disclosures required by the standard are set out in (i) below. FRS 17 – Retirement benefits was issued in November 2000 and requires certain disclosures to be made in these accounts. To the extent that they are different or additional to those required under SSAP 24 these are set out in (ii) below.

(i) SSAP 24

The most recent actuarial valuation was carried out at 31 March 2001 by the independent actuary. The principal assumptions and results of the valuation are set out below:

Discount rate and expected rate of investment return	7.25%
Rate of increase in pensionable salaries	4.75%
Rate of increase in pensions in payment and inflation assumption	3.0%
Market (and actuarial) value of assets	£7.4m
Level of funding (actuarial value of assets as a percentage of accrued service liabilities)	91%

The next actuarial valuation is due to be carried out no later than 31 March 2004.

The contributions of the employees have been set at the rates set out in the rules of the fund of 1.6% of pensionable salary up to the upper earnings limit and 6.5% of pensionable salary above that limit. The contributions of the relevant Group companies are 17.1% of pensionable salary. This figure includes a contribution of 1.4% of pensionable salary which is intended to eliminate the shortfall over the future working lives of the members of the fund.

The total charge for the year in the accounts of the Group in respect of the UK defined benefit scheme and UK defined contribution scheme was £886,000 (2002: £908,000). There were no outstanding or prepaid contributions at either the beginning of or end of the year.

(ii) FRS 17

The valuation used for FRS 17 disclosures has been based on the membership of the fund at 31 March 2003 amended to take account of the requirements of FRS 17 and updated to 30 September 2003. The principal assumptions used by the actuary for this purpose are set out below:

	At 30 September 2003	At 30 September 2002	At 30 September 2001
Discount rate	5.4%	5.6%	6.1%
Rate of increase in pensionable salaries	4.45%	4.05%	4.25%
Rate of increase in pensions in payment and inflation	2.7%	2.3%	2.5%

NOTES TO THE FINANCIAL STATEMENTS continued

23 Pensions schemes (continued)

Under FRS 17 the assets in the scheme and the expected rates of return (net of administrative expenses) were:

	At 30 September 2003	At 30 September 2003 £000	At 30 September 2002	At 30 September 2002 £000	At 30 September 2001	At 30 September 2001 £000
Equities	8.0%	7,235	8.0%	5,403	8.0%	5,485
Bonds	4.5%	1,072	4.7%	974	4.6%	918
Cash	3.5%	201	4.0%	462	4.5%	463
Total market value of assets		8,508		6,839		6,866
Actuarial value of liability		(15,037)		(11,370)		(9,853)
Deficit in the scheme		(6,529)		(4,531)		(2,987)
Related deferred taxation asset		1,959		1,359		896
Net pension liability		(4,570)		(3,172)		(2,091)

The following analysis sets out the amounts which would have been charged if FRS 17 had been adopted during the year:

	2003 £000	2002 £000
Operating profit		
Current service cost	(996)	(838)
Past service cost	-	-
Total operating charge	(996)	(838)

	2003 £000	2002 £000
Other finance income/(expenditure)		
Expected return on pension scheme assets	526	501
Interest on pension scheme liabilities	(663)	(630)
Net return	(137)	(129)

	2003 £000	2002 £000
Statement of total recognised gains and losses		
Actual return less expected return on pension scheme assets	204	(1,334)
Experience gains and losses arising on the scheme liabilities	(108)	52
Changes in assumptions underlying the present value of the scheme liabilities	(1,962)	(272)
Actuarial loss recognised in statement of total recognised gains and losses	(1,866)	(1,554)

Movement in deficit during the year

	2003 £000	2002 £000
Deficit in scheme at beginning of year	(4,531)	(2,987)
Current service cost	(996)	(838)
Contributions	1,001	977
Other finance expenditure	(137)	(129)
Actuarial loss	(1,866)	(1,554)
Deficit in scheme at end of year	(6,529)	(4,531)

History of experience gains and losses

	2003	2002
Difference between the expected and actual return on scheme assets:		
Amount (£000)	204	(1,334)
Percentage of scheme assets	2.4%	(19.5%)
Experience gains and losses on scheme liabilities:		
Amount (£000)	(108)	52
Percentage of present value of the scheme liabilities	(0.7%)	0.5%
Total amount recognised in statement of total recognised gains and losses:		
Amount (£000)	(1,866)	(1,554)
Percentage of present value of the scheme liabilities	(12.4%)	(13.7%)

24 Related party transactions

There are no material transactions with related parties as defined by FRS 8 – Related party transactions except for normal trading transactions with the Japanese joint venture. Sales to the Japanese joint venture were £7,775,000 (2002: £6,833,000). The balance due as at 30 September 2003 from the Japanese joint venture was £1,412,000 (2002: £1,909,000).

NOTES TO THE FINANCIAL STATEMENTS continued

25 Reconciliation of operating profit to net cash inflow from operating activities

	2003 £000	2002 £000
Operating profit	22,878	19,512
Depreciation and amortisation charge	4,329	3,785
Earnings before interest, taxation, depreciation and amortisation	27,207	23,297
Increase in stocks	(2,469)	(6,053)
(Increase)/decrease in debtors	(1,142)	2,658
Increase/(decrease) in creditors	2,861	(2,657)
Japanese joint venture profit in stock elimination	11	77
Share of operating profit in Japanese joint venture	(350)	(70)
Effect of foreign exchange rate changes	(14)	(109)
Net cash inflow from operating activities	26,104	17,143

26 Reconciliation of net cash flow to movement in net debt

	2003 £000	2002 £000
(Decrease)/increase in cash in year	(301)	5,303
Cash outflow/(inflow) from decrease in debt	8,000	(8,000)
Movement in net cash/(debt) in year	7,699	(2,697)
Net (debt)/cash at beginning of year	(1,659)	1,038
Net cash/(debt) at end of year	6,040	(1,659)

27 Analysis of changes in net debt

	At 30 September 2003 £000	Cash flow £000	At 30 September 2002 £000
Cash at bank and in hand	6,040	(301)	6,341
Debt due after more than one year	-	8,000	(8,000)
	6,040	7,699	(1,659)

28 Exchange rates

The Sterling exchange rates used in the accounts under the Group's accounting policies are:

	Average exchange rate		Closing exchange rate	
	2003	2002	2003	2002
US Dollar	1.46	1.39	1.54	1.36
Euro	1.54	1.59	1.48	1.61
Yen	179	154	188	173

FIVE YEAR FINANCIAL SUMMARY

FOR THE YEAR ENDED 30 SEPTEMBER	Restated 1999 £m	Restated 2000 £m	Restated 2001 £m	2002 £m	2003 £m
Results					
Turnover	46.4	58.7	72.1	59.1	71.5
Profit before taxation	12.7	15.9	22.3	19.0	22.6
Net assets					
Companies Act format					
Fixed assets	24.1	42.2	44.2	49.9	52.4
Net current assets	11.4	5.3	3.2	14.2	14.7
Creditors: amounts due after more than one year	(7.4)	(12.3)	–	(7.9)	–
Provisions for liabilities and charges	(1.5)	(2.5)	(3.2)	(4.4)	(5.3)
Equity shareholders' funds	26.6	32.7	44.2	51.8	61.8
Comprising					
Fixed assets	24.1	42.2	44.2	49.9	52.4
Other operating net assets	17.4	10.4	9.1	14.9	16.0
Net (debt)/cash	(8.1)	(11.1)	1.0	(1.7)	6.0
Dividend and taxation creditors	(5.3)	(6.3)	(6.9)	(6.9)	(7.3)
Provisions for liabilities and charges	(1.5)	(2.5)	(3.2)	(4.4)	(5.3)
	26.6	32.7	44.2	51.8	61.8
Consolidated cash flow					
Net cash inflow from operating activities	10.0	28.9	27.8	17.2	26.1
Capital expenditure	(4.7)	(2.2)	(4.8)	(8.8)	(6.5)
Acquisitions	–	(21.0)	–	–	–
Interest, dividends, taxation and other items	(8.7)	(8.7)	(10.8)	(11.1)	(11.9)
Movement in net (debt)/cash in the period	(3.4)	(3.0)	12.2	(2.7)	7.7
Ratios					
Earnings per share - basic	11.0p	14.1p	19.4p	16.2p	19.1p
Dividend per ordinary share	5.5p	6.1p	6.7p	7.0p	7.5p
Net interest cover	30	12	42	42	73
Sales volume					
Tonnage	1,067	1,321	1,603	1,205	1,481

The prior periods have been restated to reflect the adoption of FRS 19 - Deferred taxation.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the eleventh Annual General Meeting of Victrex plc ("the Company") will be held at 10.00am on 10 February 2004, at The Great Eastern Hotel, Liverpool Street, London, EC2M 7QN, to transact the following business:

Ordinary Business

- 1 To receive the Accounts and Reports of the Directors and the Auditors for the year ended 30 September 2003.
- 2 To approve the payment of a final dividend of 5.3p per share on the Company's ordinary shares of 1p in respect of the year ended 30 September 2003.
- 3 To re-elect as a Director, Mr J G A Azis, who having been appointed as a Director after the last Annual General Meeting of the Company, retires and offers himself for re-election.
- 4 To re-elect Ms A M Frew, who retires by rotation.
- 5 To re-elect Mr D R Hummel, who retires by rotation.
- 6 To re-elect Mr M W Peacock, who retires by rotation.
- 7 To re-appoint KPMG Audit plc as Auditors of the Company and to authorise the Directors to determine their remuneration.
- 8 To approve the Report on Directors' Remuneration for the year ended 30 September 2003.

Special Business

To consider and, if thought fit, (and subject in the case of resolution 10 to the passing of resolution 9) pass the following resolutions which (in the case of resolution 9) will be proposed as an ordinary resolution and (in the case of resolutions 10 and 11) will be proposed as special resolutions:

- 9 That the Directors of the Company be and are hereby generally and unconditionally authorised in accordance with section 80 of the Companies Act 1985 ("the Act") (in substitution for all existing authorities under the said section 80) to exercise all the powers of the Company to allot relevant securities (within the meaning of the said section 80) up to an aggregate nominal amount of £286,673, provided that this authority shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution (or, if earlier, 10 May 2005) and provided further that the Company may before such expiry make any offers or agreements which would or might require relevant securities to be allotted after such expiry.
- 10 That the Directors of the Company be and are hereby empowered pursuant to section 95(1) of the Act to allot equity securities (within the meaning of section 94(2) of the Act) for cash pursuant to the authority conferred upon the Directors in accordance with section 80 of the Act on 10 February 2004 as if section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:
 - (a) the allotment of equity securities in connection with a rights issue in favour of the holders of ordinary shares (notwithstanding that, by reason of such exclusions or other arrangements as the Directors may deem necessary or desirable to deal with fractional entitlements or legal or practical problems under the laws of, or the requirements of any recognised regulatory body or any stock exchange, in any territory, the equity securities to be issued are not offered to all such holders in proportion to the number of ordinary shares held by each of them); and
 - (b) the allotment (otherwise than pursuant to paragraph (a) above) of equity securities up to an aggregate nominal value of £40,109;

and shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution (or, if earlier, on 10 May 2005), save that the Company may before such expiry make any offers or agreements which would or might require equity securities to be allotted after such expiry.

11 That the Directors of the Company be authorised generally and unconditionally to exercise all powers of the Company to make market purchases (as defined in Section 163(3) of the Act) of its ordinary shares of 1p each provided that:

- (a) the maximum number of ordinary shares which may be acquired is 8,021,904;
- (b) the minimum price which may be paid for any such ordinary share is 1p; and
- (c) the maximum price which may be paid for any such ordinary share is an amount equal to 105% of the average of the middle market quotation for an ordinary share according to the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the purchase is contracted to take place;

and shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution (or, if earlier, on 10 May 2005) but a contract of purchase may be made before such expiry which will or may be executed wholly or partly thereafter and a purchase of shares may be made in pursuance of any such contract.

By order of the Board

M W Peacock

Company Secretary

8 December 2003

Notes:

- 1 Members entitled to attend and vote at the Meeting may appoint one or more proxies to attend and, on a poll, vote on their behalf. A proxy need not be a member of the Company.
- 2 The register of Directors' interests in the Company's shares and copies of the Directors' service contracts will be available for inspection at the Registered Office of the Company during normal business hours from the date of this notice until the date of the Meeting and at the place of the Meeting from fifteen minutes before the Meeting until its close.
- 3 In accordance with regulation 34(1) of the Uncertificated Securities Regulations 1995 the Company specifies that only those shareholders registered in the Company's Register of Members at 7am on Monday 9 February 2004 will be entitled to attend or vote at the Meeting and that the number of votes which any such shareholder may cast, upon a poll, will be determined by reference to the number of shares registered in such shareholder's name at that time.

NOTICE OF ANNUAL GENERAL MEETING continued

Explanatory Notes

Ordinary Business

Resolution 1 – Annual Report and Accounts

The Directors are under a duty in relation to each financial year to lay the Accounts and Reports of the Directors and Auditors before the Company in general meeting, giving shareholders the opportunity to ask questions on the contents.

Resolution 2 – Declaration of dividend

A final dividend of 5.3p per ordinary share payable on 3 March 2004 has been recommended by the Directors for the year ended 30 September 2003. In accordance with the requirements of the Inland Revenue, all dividends are declared and paid net of income tax at the standard rate.

Resolutions 3, 4, 5 and 6 – Re-election of Directors

In accordance with the Articles of Association Mr J G A Azis (who was appointed as a Director after the last Annual General Meeting of the Company) is required to retire as a Director. He will, however, seek re-election by the shareholders. In addition, Ms A M Frew, Mr D R Hummel and Mr M W Peacock will retire by rotation as Directors and will seek re-election by the shareholders in accordance with the Articles of Association of the Company.

Biographical details of Directors seeking re-election are set out on page 13. With regard to the non-executive Directors seeking re-election, the Board considers that both Jonathan Azis and Anita Frew have added breadth and perspective to the Board's deliberations. Specifically, Jonathan Azis brings a wide range of financial and industrial experience and a large company background. Anita Frew, who has been a Director since 2000, has contributed her experience of international marketing, corporate development and the City.

Resolution 7 – Re-appointment of Auditors/Auditors' remuneration

This resolution proposes the re-appointment of KPMG Audit plc as Auditors of the Company and authorises the Directors to determine their remuneration.

Resolution 8 – Approval of the Report on Directors' Remuneration

This resolution is proposed to approve the Report on Directors' Remuneration as set out on pages 19 to 24.

Special Business

Resolution 9 – Authority to allot shares

The authority of shareholders is required to enable Directors to allot shares. Accordingly, in line with the Company's usual procedure, which is also standard practice amongst other public companies, this resolution seeks authority for the Directors to issue shares (within the limits of the existing authorised share capital) until the conclusion of next year's Annual General Meeting or 10 May 2005, if sooner.

The resolution will provide for the Directors to be able to allot shares up to a nominal amount of £286,673. This represents one third of the issued share capital plus the number of shares that the Company may be obliged to allot under its share option schemes. With the exception of shares to be issued in respect of share options exercised, the Directors have no current intention of exercising this authority.

Resolution 10 – Permission to allot a limited number of shares other than to existing shareholders

When shares are issued for cash, they normally have to be offered first to existing shareholders in proportion to their current shareholding. This resolution will enable the Directors to allot for cash up to a nominal amount of £40,109, representing approximately 5% of the current issued ordinary share capital, other than to existing shareholders in order to take advantage of these opportunities as and when they arise.

The authority will lapse at the earlier of the next Annual General Meeting of the Company or 10 May 2005, if sooner.

Resolution 11 – Authority to purchase own shares

In certain circumstances, it might be advantageous to the Company to purchase its own shares. Resolution 11 specifies the maximum number of shares which may be acquired (less than 10% of the Company's issued ordinary share capital as at the date of this Notice) and the maximum and minimum prices at which shares may be bought.

The Directors intend to use the authority only if, in the light of market conditions prevailing at the time, they believe that the effect of such purchase will be to increase earnings per share and will be in the best interests of the shareholders generally. Other investment opportunities, appropriate gearing levels and the overall position of the Company will be taken into account in reaching such a decision. Any shares purchased in this way will be cancelled and the number of shares in issue will be reduced accordingly.

As at 5 December 2003, options over a total of 1,927,697 ordinary shares were outstanding and not exercised. That number of ordinary shares represents 2.40% of the Company's issued ordinary share capital at 5 December 2003. It would represent 2.67% of the issued ordinary share capital if the authority to buy the Company's own shares had been used in full at that date.

FINANCIAL CALENDAR

Ex-dividend date*	4 February 2004
Record date†	6 February 2004
Annual General Meeting	10 February 2004
Payment of dividend	3 March 2004
Announcement of 2004 interim results	June 2004
Payment of interim dividend	August 2004

*Shares purchased before this date qualify for a dividend.

†The date by which shareholders must be recorded on the share register to receive the dividend.

Victrex plc

Registered in England
Number 2793780

Registered Office:
Victrex Technology Centre
Hillhouse International
Thornton Cleveleys
Lancashire FY5 4QD
United Kingdom

Tel: +44 (0) 1253 897700
Fax: +44 (0) 1253 897701
Web: www.victrex.com



Eleventh Annual General Meeting – 10 February 2004
Form of Proxy

Name and address (Please print)
[Empty box for name and address]

I/We being a Member(s) of VICTREX plc, hereby appoint the Chairman of the Meeting, or (see note 1)

[Empty box for appointing the Chairman of the Meeting]

as my/our proxy/proxies to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on 10 February 2004 and at any adjournment thereof.

Please indicate with an 'X' in the appropriate spaces how you wish your votes to be cast on the Ordinary and Special Resolutions to be submitted to the Meeting. Unless otherwise instructed, the proxy will vote as he thinks fit or abstain on any specified resolution where no specific directions are given or any other business which may properly come before the Meeting.

Table with 4 columns: Resolution, For, Against, Resolution, For, Against. Contains 11 rows of resolutions for voting.

Signature

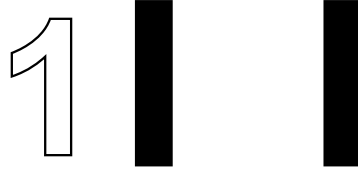
Dated this day of 2003/04

Notes

- 1 You may, if you wish, in the space provided insert the name(s) of the person(s) of your choice to attend and, on a poll, vote at the Meeting on your behalf.
2 In the case of a corporation, this proxy must be executed either under its common seal or under the hand of an officer or attorney duly authorised in writing.
3 In order to have effect, this proxy, and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of authority, must be lodged with the Company's Registrars, Lloyds TSB Registrars, The Causeway, Worthing, BN99 6ZX, not less than 48 hours before the time fixed for the Meeting.
4 In the case of a joint holding, a proxy need only be signed by one joint holder, but the names of all the joint holders must be stated. If more than one such joint holder tenders a vote, whether in person or by proxy, only the holder named first on the Register will be counted.
5 The completion and return of this Form of Proxy will not prevent you from attending the Meeting and voting in person.

SECOND FOLD

BUSINESS REPLY SERVICE
Licence No. SEA 10855



Lloyds TSB Registrars
The Causeway
Worthing
BN99 6ZX

FIRST FOLD

THIRD FOLD AND TUCK IN



VICTREX plc

Victrex Technology Centre Hillhouse International Thornton Cleveleys Lancashire FY5 4QD United Kingdom

Tel: + 44 (0) 1253 897700 Fax: + 44 (0) 1253 897701 Web: www.victrex.com

